

# **CEDERBERG LOCAL MUNICIPALITY**



## **UNAUDITED ANNUAL FINANCIAL STATEMENTS**

**30 JUNE 2020**

# CEDERBERG LOCAL MUNICIPALITY

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# CEDERBERG LOCAL MUNICIPALITY

## GENERAL INFORMATION

### NATURE OF BUSINESS

Cederberg Local Municipality performs the functions as set out in the Constitution. (Act no 105 of 1996)

### LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

### JURISDICTION

The Cederberg Local Municipality includes the following areas:

Algeria	Graafwater
Clanwilliam	Leipoltville
Lamberts Bay	Elands Bay
Citrusdal	

### MEMBERS OF THE COUNCIL

Ward 1	Cllr J Meyer
Ward 2	Cllr RV Pretorius
Ward 3	Cllr M Heins
Ward 4	Cllr P Straus
Ward 5	Cllr WJ Farmer
Ward 6	Cllr RG Witbooi
Proportional	Cllr Sokuyeka
Proportional	Cllr EN Majikejela
Proportional	Cllr NS Qunta
Proportional	Cllr F Kamfer
Proportional	Cllr L Scheepers

### MEMBERS OF THE MAYORAL COMMITTEE

Cllr NS Qunta (Executive Mayor)  
Cllr L Scheepers (Deputy Executive Mayor)  
Cllr EN Majikejela  
Cllr M Heins

### MUNICIPAL MANAGER

Mr HG Slimmert

### ACTING CHIEF FINANCIAL OFFICER

Mr M Memani

### AUDIT COMMITTEE

Omar Valley (Chairperson)  
Nico Smit  
Charles Beukes

### REGISTERED OFFICE

2A Voortrekker Road  
Clanwilliam  
8135

### POSTAL ADDRESS

Private Bag x2  
Clanwilliam  
8135

# CEDERBERG LOCAL MUNICIPALITY

## GENERAL INFORMATION

### AUDITORS

Office of the Auditor General (WC)

### PRINCIPLE BANKERS

Standard Bank of South Africa Ltd

### ATTORNEYS

TNK Attorneys

Burger & Marias Attorneys

Erasmus & Associates

Grant Spammer Attorneys

KM Ramodike Attorneys

Mervin Doralingo

Enderstein Van der Merwe

Lizel Venter Attorneys

Visser & Vennote

Clyde en Co Attorneys

### RELEVANT LEGISLATION

Basic Conditions of Employment Act (Act no 75 of 1997)

Collective Agreements

Division of Revenue Act

Electricity Act (Act no 41 of 1987)

Employment Equity Act (Act no 55 of 1998)

Housing Act (Act no 107 of 1997)

Infrastructure Grants

Municipal Budget and Reporting Regulations

Municipal Cost Containment Regulations 2019

Municipal Finance Management Act (Act no 56 of 2003)

Municipal Planning and Performance Management Regulations

Municipal Property Rates Act (Act no 6 of 2004)

Municipal Regulations on a Standard Chart of Accounts, 2014

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

National Environmental Management Act

Occupational Health and Safety Act

Preferential Procurement Policy Framework Act, 200

SALBC Leave Regulations

Skills Development Levies Act (Act no 9 of 1999)

Supply Chain Management Regulations, 2005

The Income Tax Act

Unemployment Insurance Act (Act no 30 of 1966)

Value Added Tax Act

Water Services Act (Act no 108 of 1997)

# CEDERBERG LOCAL MUNICIPALITY

## APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

### APPROVAL OF ACCOUNTING OFFICER

I am responsible for the preparation of these annual financial statements year ended 30 June 2020, which are set out on pages 1 to 77 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

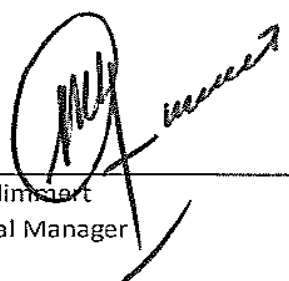
As per the Government Gazette no 43582 dated 5 August 2020, National Treasury has granted municipalities and municipal entities a two-month extension regarding the submission of financial statements. The Municipality has taken advantage of this exemption.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2021 and I am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

  
\_\_\_\_\_  
Mr HG Slimmert  
Municipal Manager

30 / 10 / 2020  
\_\_\_\_\_  
Date

# CEDERBERG LOCAL MUNICIPALITY

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

	Notes	2020 R (Actual)	2019 R (Restated)
<b>ASSETS</b>			
<b>Current Assets</b>		<b>61 340 748</b>	<b>57 158 880</b>
Cash and Cash Equivalents	2	16 684 890	7 187 397
Receivables from Exchange Transactions	3	27 173 501	33 355 213
Receivables from Non-Exchange Transactions	4	12 998 741	14 974 171
Taxes	5	3 090 646	90 816
Operating Lease Assets	6	5 429	452
Inventory	7	1 387 542	1 550 831
<b>Non-Current Assets</b>		<b>692 632 255</b>	<b>681 989 258</b>
Investment Property	8	77 144 463	77 214 288
Property, Plant and Equipment	9	614 010 943	603 074 250
Intangible Assets	10	1 476 849	1 700 721
<b>Total Assets</b>		<b>753 973 003</b>	<b>739 148 138</b>
<b>Current Liabilities</b>		<b>127 078 872</b>	<b>97 513 935</b>
Current Portion of Long-term Liabilities	11	4 717 622	4 111 571
Consumer Deposits	12	2 108 188	2 055 177
Payables from exchange transactions	13	81 119 876	79 145 391
Unspent Conditional Government Grants	14	27 474 112	2 692 280
Operating Lease Liabilities	6	14 121	12 534
Current Employee benefits	15	11 644 954	9 496 983
<b>Non-Current Liabilities</b>		<b>71 700 963</b>	<b>79 732 407</b>
Long-term Liabilities	11	12 480 933	16 469 708
Employee benefits	16	27 540 000	29 545 472
Non-Current Provisions	17	31 680 030	33 717 226
<b>Total Liabilities</b>		<b>198 779 835</b>	<b>177 246 342</b>
<b>NET ASSETS</b>		<b>555 193 168</b>	<b>561 901 796</b>
<b>COMMUNITY WEALTH</b>			
Accumulated Surplus		555 193 168	561 901 796
		<b>555 193 168</b>	<b>561 901 796</b>

# CEDERBERG LOCAL MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2020

	Notes	2020 R (Actual)	2019 R (Restated)
<b>REVENUE</b>			
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>		<b>158 818 899</b>	<b>229 491 358</b>
<b>Taxation Revenue</b>		<b>45 526 373</b>	<b>42 146 144</b>
Property Rates	18	45 526 373	42 146 144
<b>Transfer Revenue</b>		<b>94 153 104</b>	<b>157 160 424</b>
Government Grants and Subsidies - Operating	19	64 461 748	62 079 857
Government Grants and Subsidies - Capital	19	29 691 356	83 598 795
Public Contributions and Donations		-	5 000
Contributed Assets	20	-	11 476 772
<b>Other Revenue</b>		<b>19 139 422</b>	<b>30 184 790</b>
Insurance Refund		-	33 430
Fines, Penalties and Forfeits	21	13 205 468	22 245 450
Actuarial Gains	22	5 933 954	7 905 910
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>		<b>157 819 921</b>	<b>141 909 764</b>
<b>Operating Activities</b>		<b>157 819 921</b>	<b>141 909 764</b>
Service Charges	23	144 762 931	128 887 500
Rental of Facilities and Equipment	24	2 871 161	3 274 156
Interest Earned - external investments		505 556	892 942
Interest Earned - outstanding debtors		4 983 566	3 996 023
Agency Services	25	2 735 961	3 332 665
Other Income	26	1 960 746	1 526 478
<b>TOTAL REVENUE</b>		<b>316 638 820</b>	<b>371 401 122</b>
<b>EXPENDITURE</b>			
Employee Related Costs	27	115 364 247	104 281 701
Remuneration of Councillors	28	5 569 861	5 392 291
Debt Impairment	29	45 905 361	38 387 315
Depreciation and Amortisation	30	18 882 270	16 635 139
Finance Charges	31	9 786 135	8 455 545
Bulk Purchases	32	84 184 752	71 810 102
Contracted Services	33	18 205 886	16 696 031
Transfers and Grants	34	1 144 278	1 066 144
Other Expenditure	35	24 163 445	27 653 950
Loss on disposal of Non-Monetary Assets	36	141 216	467 952
<b>TOTAL EXPENDITURE</b>		<b>323 347 451</b>	<b>290 846 170</b>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>(6 708 631)</b>	<b>80 554 952</b>

# CEDERBERG LOCAL MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDING 30 JUNE 2020

	ACCUMULATED SURPLUS R	TOTAL R
<b>Balance on 30 June 2018</b>	<b>481 293 258</b>	<b>481 293 258</b>
Correction of error restatement - note 37.4	53 585	53 585
<b>Balance on 30 June 2018 - Restated</b>	<b>481 346 843</b>	<b>481 346 843</b>
Net Surplus for the year	80 554 953	80 554 953
<b>Balance on 30 June 2019 - Restated</b>	<b>561 901 796</b>	<b>561 901 796</b>
Net Deficit for the year	(6 708 628)	(6 708 628)
<b>Balance on 30 June 2020</b>	<b>555 193 168</b>	<b>555 193 168</b>



# CEDERBERG LOCAL MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2020

	Notes	2020 R (Actual)	2019 R (Restated)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property Rates		40 582 028	38 334 319
Service Charges and Interest		123 172 181	113 481 344
Other Revenue		12 106 897	14 993 666
Government Grants		117 984 033	114 910 850
Investment Interest		505 556	892 942
<b>Payments</b>			
Suppliers and employees		(242 081 028)	(196 142 595)
Finance charges		(3 781 092)	(2 360 413)
Transfers and Grants		(1 144 278)	(1 066 144)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>39</b>	<b>47 344 297</b>	<b>83 043 968</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
<b>Receipts</b>			
Proceeds from sale of Property, Plant and Equipment		66 739	702 082
<b>Payments</b>			
Purchase of Property, Plant and Equipment		(33 835 284)	(91 365 224)
Purchase of Intangible Assets		-	(196 821)
<b>NET CASH USED INVESTING ACTIVITIES</b>		<b>(33 768 545)</b>	<b>(90 859 963)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
<b>Receipts</b>			
New loans raised		-	-
Increase in Consumer Deposits		53 014	100 851
<b>Payments</b>			
Loans repaid		(4 131 274)	(3 629 524)
<b>NET CASH USED FINANCING ACTIVITIES</b>		<b>(4 078 260)</b>	<b>(3 528 673)</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>9 497 493</b>	<b>(11 344 668)</b>
Cash and Cash Equivalents at the beginning of the year		7 187 397	18 532 065
Cash and Cash Equivalents at the end of the year		16 684 890	7 187 397

# CEDERBERG LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDING 30 JUNE 2020

	ORIGINAL BUDGET R	ADJUSTMENTS R	FINAL BUDGET R	ACTUAL R	ACTUAL VS FINAL BUDGET R
<b>STATEMENT OF FINANCIAL POSITION</b>					
Current assets	50 898 088	1 305 797	52 203 885	61 340 748	9 136 864
Non-current assets	733 123 520	(14 978 561)	718 144 959	692 632 255	(25 512 704)
Current liabilities	50 842 039	4 685 246	55 527 285	127 078 872	71 551 587
Non-current liabilities	137 196 889	(3 994 675)	133 202 214	71 700 963	(61 501 251)
<b>Total Community Wealth</b>	<b>595 982 680</b>	<b>(14 363 335)</b>	<b>581 619 345</b>	<b>555 193 168</b>	<b>(26 426 177)</b>
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>					
<b>REVENUE</b>					
Property rates	46 908 626	(889 547)	46 019 079	45 526 373	(492 706)
Service Charges	154 476 840	(8 489 179)	145 987 661	144 762 931	(1 224 730)
Investment revenue	2 012 516	(1 724 609)	287 907	505 556	217 649
Transfers recognised - operational	84 703 391	8 164 524	92 867 915	64 461 748	(28 406 167)
Other own revenue	41 741 579	(190 720)	41 550 859	31 690 856	(9 860 003)
<b>Total Revenue (excluding capital transfers)</b>	<b>329 842 952</b>	<b>(3 129 531)</b>	<b>326 713 421</b>	<b>286 947 464</b>	<b>(39 765 957)</b>
<b>EXPENDITURE</b>					
Employee costs	119 499 420	(2 620 888)	116 878 532	115 364 247	(1 514 285)
Remuneration of councillors	5 493 000	83 205	5 576 205	5 569 861	(6 344)
Debt impairment	35 531 750	9 393 250	44 925 000	45 905 361	980 361
Depreciation and asset impairment	23 355 000	(3 222 530)	20 132 470	18 882 270	(1 250 200)
Finance charges	8 449 015	231 493	8 680 508	9 786 135	1 105 627
Bulk purchases	82 383 212	3 915 773	86 298 985	84 184 752	(2 114 233)
Other Materials	9 327 530	(845 562)	8 481 968	-	(8 481 968)
Contracted Services	35 860 759	6 858 528	42 719 287	18 205 886	(24 513 401)
Transfers and grants	4 120 525	524 367	4 644 892	1 144 278	(3 500 614)
Other expenditure	20 061 309	60 146	20 121 455	24 163 445	4 041 990
Loss on disposal of PPE	-	-	-	141 216	141 216
<b>Total Expenditure</b>	<b>344 081 520</b>	<b>14 377 782</b>	<b>358 459 302</b>	<b>323 347 451</b>	<b>(35 111 851)</b>
Surplus/(Deficit)	(14 238 568)	(17 507 313)	(31 745 881)	(36 399 988)	(4 654 107)
Transfers recognised - capital	47 433 609	4 559 745	51 993 354	29 691 356	(22 301 998)
Contributions Recognised - Capital	-	-	-	-	-
<b>NET SURPLUS FOR THE YEAR</b>	<b>33 195 041</b>	<b>(12 947 568)</b>	<b>20 247 473</b>	<b>(6 708 631)</b>	<b>(26 956 104)</b>
<b>CASH FLOW STATEMENT</b>					
Net Cash Flow from Operating Activities	65 473 240	(11 536 207)	53 937 033	47 344 297	(6 592 736)
Net Cash Flow from Investing Activities	(60 698 593)	4 092 927	(56 605 666)	(33 768 545)	22 837 121
Net Cash Flow from Financing Activities	(275 082)	(3 694 941)	(3 970 023)	(4 078 260)	(108 237)
<b>Net increase in cash and cash equivalents</b>	<b>4 499 565</b>	<b>(11 138 221)</b>	<b>(6 638 656)</b>	<b>9 497 493</b>	<b>16 136 148</b>

Refer to note 41.1 for explanations of material variances between the original and final budget.

Refer to note 41.2 for explanations of material variances between actual amounts and the final budget.

Material variances are considered to be any variances greater than R3 million.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### **1 ACCOUNTING POLICIES**

#### **1.01 BASIS OF PREPARATION**

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – November 2013) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Assets, liabilities, revenue and expenses have not been offset, except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

#### **1.02 TRANSITIONAL PROVISIONS**

The Municipality resolved to take advantage of the following transitional provisions:

In term of Directive 7 - "The Application of Deemed Cost on the Adoption of Standards of GRAP", the Municipality applied deemed cost to Investment Property and Property, Plant and Equipment where the acquisition cost of an asset could not be determined.

In terms of GRAP 108 - "Statutory Receivables", the Municipality is utilising the transitional provision contained in Directive 4 that grant the Municipality a period of three years (1 July 2019 to 30 June 2022) in order to finalise the classification and impairment methods of Statutory Receivables.

#### **1.03 PRESENTATION CURRENCY**

The financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

#### **1.04 GOING CONCERN ASSUMPTION**

These financial statements have been prepared on a going concern basis.

#### **1.05 COMPARATIVE INFORMATION**

##### **1.05.1 Prior year comparatives**

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.05.2 Amended Accounting Policies

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements.

Refer to note 38 for significant amendments which were made to the accounting policy in the current year.

### 1.06 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

Standards of GRAP set out how an item should be recognised, measured and disclosed in the financial statements. In some cases, the Municipality does not recognise, measure, present or disclose information in accordance with the specific requirements outlined in the Standards of GRAP if the effect of applying those requirements are immaterial.

### 1.07 BUDGET INFORMATION

Budget information is presented on the accrual basis and is based on the same fiscal period as the actual amounts.

The Statement of Comparison of Budget and Actual Amounts includes the comparison between the approved and final budget amounts, as well as a comparison between the actual amounts and final budget amounts.

The disclosure of comparative information in respect of the previous period is not required by the Standards of GRAP.

### 1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

#### 1.08.1 Effective dates determined

Where a Standard of GRAP has been issued but is not yet effective, the Municipality may resolve to early adopt such a Standard of GRAP if an effective date has been determined by the Minister of Finance.

The Municipality resolved to early adopt the Amendments to the Standards of GRAP for "Presentation of Financial Statements" which was issued in April 2019. The amendments effected the following Standards of GRAP:

Standard	Description	Effective Date
GRAP 1	Presentation of Financial Statements	1 April 2020
GRAP 21	Impairment of Non-cash-generating Assets	1 April 2020
GRAP 26	Impairment of Cash-generating Assets	1 April 2020
GRAP 104	Financial Instruments	1 April 2020

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

The Municipality also resolved to early adopt the Improvements to Standards of GRAP (2020) which was issued during March 2020. The improvements effected the following Standards of GRAP:

Standard	Description	Effective Date
GRAP 5	Borrowing Costs	1 April 2021
GRAP 13	Leases	1 April 2021
GRAP 16	Investment Property	1 April 2021
GRAP 17	Property Plant and Equipment	1 April 2021
GRAP 24	Presentation of Budget Information in Financial Statements	1 April 2021
GRAP 31	Intangible Assets	1 April 2021
GRAP 32	Service Concession Arrangements: Grantor	1 April 2021
GRAP 37	Joint Arrangements	1 April 2021
GRAP 106	Transfer of Functions Between Entities Not Under Common Control	1 April 2021
Directive 7	The Application of Deemed Cost	1 April 2021

The effect of the above-mentioned amendments and improvements to the Standards of GRAP which were early adopted is considered insignificant. The amendments and improvements to the Standards of GRAP mainly relate to the clarification of accounting principles.

The Municipality resolved not to early adopt Directive 14 - "The Application of Standards of GRAP by Public Entities that apply IFRS Standards" (effective 1 April 2021) as this Directive is not applicable to municipalities and will have no impact on the Municipality once it becomes effective.

The Municipality further resolved not to early adopt the following Standards of GRAP and Interpretations of the Standard of GRAP which were issued but are not yet effective:

### 1.08.1.1 GRAP 18 - Segment Reporting (effective 1 April 2020)

The objective of this Standard is to establish principles for reporting financial information by segments.

Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will be not be significant.

### 1.08.1.2 GRAP 34 - Separate Financial Statements (effective 1 April 2020)

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

No significant impact is expected as the Municipality has no investments in any entities.

### 1.08.1.3 GRAP 35 - Consolidated Financial Statements (effective 1 April 2020)

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

No significant impact is expected as the Municipality does not control any entities.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.08.1.4 GRAP 36 - Investments in Associates and Joint Ventures (effective 1 April 2020)

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

No significant impact is expected as the Municipality does not have investments in any associates or joint ventures.

### 1.08.1.5 GRAP 37 - Joint Arrangements (effective 1 April 2020)

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

No significant impact is expected as the Municipality does not have an interest in any arrangements that are controlled jointly.

### 1.08.1.6 GRAP 38 - Disclosure of Interests in Other Entities (effective 1 April 2020)

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- (a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- (b) the effects of those interests on its financial position, financial performance and cash flows.

No significant impact is expected as the Municipality does not have an interest in any entities, associates, joint ventures or joint arrangements.

### 1.08.1.7 GRAP 110 - Living and Non-living Resources (effective 1 April 2020)

The objective of this Standard is to prescribe the:

- (a) recognition, measurement, presentation and disclosure requirements for living resources; and
- (b) disclosure requirements for non-living resources.

Preliminary investigations indicated that the Municipality's non-living resources do not fall within the scope of this Standard.

### 1.08.1.8 iGRAP 20 - Accounting for Adjustments to Revenue (effective 1 April 2020)

This Interpretation clarifies the accounting for adjustments to:

- (a) exchange and non-exchange revenue charged in terms of legislation or similar means; and
- (b) interest and penalties that arise from revenue already recognised.

No significant impact is expected as the Municipality's current treatment is already to a large extent in line with the Interpretation's requirements.

## 1.08.2 Effective dates not yet determined

Where a Standard of GRAP has been issued but not yet effective and the Minister of Finance has not yet determined an effective date, the Municipality may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event.

The following Standards of GRAP have been issued but are not yet effective as the Minister of Finance has not yet determined the effective date for application:

### 1.08.2.1 GRAP 104 (Revised 2019) - Financial Instruments

The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.

No significant impact is expected as the Municipality's current treatment is already in line with the Standard's requirements.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.09 INVESTMENT PROPERTY

#### 1.09.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, for administration purposes, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

Investment property is recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially measured at cost on its acquisition date. The cost of investment property is the purchase price and other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an investment property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition and any other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality. The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use.

Where investment property is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

#### 1.09.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

#### 1.09.3 Depreciation – Cost Model

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate accounted for on the a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

	YEARS
Buildings	100

#### 1.09.4 Impairment

Investment property is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.09.5 Derecognition

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of the retirement or disposal.

Compensation from third parties for items of investment property that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

### 1.10 PROPERTY, PLANT AND EQUIPMENT

#### 1.10.1 Initial Recognition

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably.

Items of property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment.

#### 1.10.2 Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

#### 1.10.3 Depreciation

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.



# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate accounted for on the a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

	YEARS		YEARS
<b>Land and Buildings</b>		<b>Community</b>	
Land	N/A	Community Facilities	16 - 101
Buildings	9 - 101	Sport and Recreational Facilities	20 - 101
		Work in progress	N/A
<b>Infrastructure</b>		<b>Other</b>	
Electrical	9 - 115	Computer Equipment	5 - 17
Roads	4 - 50	Furniture and Office Equipment	5 - 31
Sanitation	5 - 60	Machinery and Equipment	5 - 36
Storm Water	4 - 50	Transport Assets	8 - 26
Water Supply	8 - 60		
Work in progress	N/A		
<b>Finance lease assets</b>			
Office equipment	3 - 11		
Transport Assets	10		

**1.10.4 Impairment**

Property, plant and equipment is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

**1.10.5 Derecognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

**1.11 INTANGIBLE ASSETS**

**1.11.1 Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

The Municipality recognises an intangible asset only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost on its acquisition date. The cost of an intangible asset is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Where an intangible asset is acquired through a non-exchange transaction, its initial cost is measured at its fair value at the date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Internally generated intangible assets are subject to a strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) its intention to complete the intangible asset and use or sell it;
- (c) its ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits or service potential;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

### 1.11.2 Subsequent Measurement - Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses.

### 1.11.3 Amortisation

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is still subject to an annual impairment test.

Amortisation of an intangible with a finite life asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Amortisation ceases at the date that the asset is derecognised.

Amortisation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the intangible assets. The amortisation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The residual value of an intangible asset with a finite useful life is considered to be zero.

The amortisation period and amortisation method are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

The annual amortisation rates are based on the following estimated useful lives:

	<b>Years</b>
Computer Software	6-16

### 1.11.4 Impairment

Intangible assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

### 1.11.5 Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.12 IMPAIRMENT OF NON-MONETARY ASSETS

An impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.

Cash-generating assets are assets held with the primary objective of generating a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the asset.

#### 1.12.1 Recoverable amount of Cash-generating assets

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

The best evidence of fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

#### 1.12.2 Recoverable amount of Non-cash-generating assets

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

#### 1.12.3 Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation decrease in accordance with that Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### 1.12.4 Reversal of an impairment loss

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

A reversal of an impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation increase in accordance with that Standard of GRAP.

After the reversal of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.13 INVENTORIES

#### 1.13.1 Initial Recognition

Inventories are assets:

- (a) in the form of materials or supplies to be consumed in the production process;
- (b) in the form of materials or supplies to be consumed or distributed in the rendering of services;
- (c) held for sale or distribution in the ordinary course of operations; or
- (d) in the process of production for sale or distribution.

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventories are acquired through a non-exchange transaction, the cost is measured at the fair value as at the date of acquisition plus any other costs in bringing the inventories to their current location and condition.

#### 1.13.2 Subsequent Measurement

When inventories are sold, exchanged or distributed the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when the goods are distributed, or related service is rendered.

Inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Current replacement cost is the cost the Municipality would incur to acquire the asset on the reporting date.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories is recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The basis of allocating cost to inventory items is the weighted average method.

At reporting date, the water volume is determined by way of dip readings and the calculated volume in the distribution network. Water inventory is then measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Cost of land held for sale is assigned by using specific identification of their individual costs.

### 1.14 EMPLOYEE BENEFITS

Defined-contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year during which they become payable.

Defined-benefit plans are post-employment benefit plans other than defined-contribution plans.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.14.1 Post-Retirement Benefits

The Municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined-contribution plans and defined-benefit plans.

#### 1.14.1.1 Multi-employer defined benefit plans

The Municipality contributes to various National- and Provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. These defined benefit funds are actuarially valued on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

#### 1.14.1.2 Post Retirement Medical Benefits

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined. The plan is unfunded.

Contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability is calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

### 1.14.2 Long-term Benefits

#### 1.14.2.1 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

### 1.14.3 Short-term Benefits

#### 1.14.3.1 Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at reporting date and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

#### 1.14.3.2 Bonuses

The liability for staff bonuses is based on the accrued bonus for each employee at reporting date.

#### 1.14.3.3 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.15 PROVISIONS

A provision is a liability of uncertain timing or amount. Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the Municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement will not exceed the amount of the provision. In the Statement of Financial Performance, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

### 1.16 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### 1.16.1 Municipality as Lessee

##### 1.16.1.1 Finance Leases

At the commencement of the lease term, the Municipality recognises assets acquired under finance leases as assets and the associated lease obligations as liabilities in the Statement of Financial Position.

At the inception of the lease, the assets and liabilities are recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The discount rate to be used in calculating the present value of the minimum lease payment is the interest rate implicit in the lease. If the rate implicit to the lease is not available the Municipality's incremental borrowing rate is used. Any initial direct costs of the Municipality are added to the amount recognised as an asset.

Subsequent to initial recognition, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents, if any, are charged as expenses to the Statement of Financial Performance in the periods in which they are incurred. The leased assets are accounted for in accordance with the stated accounting policies applicable to the assets.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.16.1.2 Operating leases

Lease payment under an operating lease is recognised as an expense in the Statement of Financial Performance on a straight-line basis over lease term, unless another systematic basis is more representative of the time pattern of the user's benefit. The difference between the straight-lined expenses and actual payments made will give rise to a liability.

### 1.16.2 Municipality as Lessor

#### 1.16.2.1 Finance Leases

The Municipality recognises lease payments receivable under a finance lease as assets (receivable) in the Statement of Financial Position. The asset (receivable) is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease.

The asset (receivable) is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis in the Statement of Financial Performance.

#### 1.16.2.2 Operating Leases

Operating lease revenue is recognised in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. The difference between the straight-lined revenue and actual payments received will give rise to an asset.

### 1.17 FINANCIAL INSTRUMENTS

#### 1.17.1 Initial Recognition

Financial instruments (financial assets and financial liabilities) are recognised on the Municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

#### 1.17.2 Subsequent Measurement

Financial instruments are categorised as follow:

- (a) **Financial instruments at amortised cost** are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets or current liabilities, except for maturities greater than 12 months, which are classified as non-current. After initial recognition, both financial assets and financial liabilities are measured at amortised cost, using the effective interest rate method. Financial assets are also subject to an impairment review.
- (b) **Financial instruments at cost** are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Both financial assets and financial liabilities are subsequently measured at cost. Financial assets are subject to an impairment review.
- (c) **Financial instruments at fair value** comprise of financial assets or financial liabilities that are:
  - (i) derivatives;
  - (ii) combined instruments that are designated at fair value;
  - (iii) instruments held for trading;
  - (iv) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
  - (v) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Both, financial assets and financial liabilities are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.17.3 Impairment and uncollectability of financial assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets.

#### 1.17.3.1 Financial assets measured at amortised cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Cash flows relating to short-term financial assets are not discounted where the effect of discounting is immaterial. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed by adjusting an allowance account. The amount of the reversal is recognised in Statement of Financial Performance.

#### 1.17.3.2 Financial assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses is not be reversed.

### 1.17.4 Derecognition of financial instruments

#### 1.17.4.1 Financial assets

The Municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial assets (receivables) are also derecognised when Council approves the write-off of financial assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### 1.17.4.2 Financial liabilities

The Municipality derecognises financial liabilities when the Municipality's obligations are discharged, cancelled or they expire.

The Municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

### 1.17.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

## 1.18 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

### 1.18.1 Initial Recognition

Statutory receivables are recognised when the related revenue (exchange or non-exchange revenue) is recognised or when the receivable meets the definition of an asset. The Municipality initially measure statutory receivables at their transaction amount.



# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.18.2 Subsequent Measurement

The Municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is subsequently changed to reflect any interest or other charges that may have accrued on the receivable, less any impairment losses and amounts derecognised.

### 1.18.3 Impairment and uncollectability of statutory receivables

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired.

If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

### 1.18.4 Derecognition

The Municipality derecognises a statutory receivable when the rights to the cash flows from the receivable are settled, expire or are waived or the Municipality transfers the receivable and substantially all the risks and rewards of ownership of the receivable to another entity.

When the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of receivable to another entity, the Municipality derecognises the receivable and recognises separately any rights and obligations created or retained in the transfer.

## 1.19 CASH AND CASH EQUIVALENTS

Cash includes cash on hand, cash held with banks, and call deposits. Cash equivalents are short-term highly liquid investments with registered banking institutions with maturities of three months or less from inception, readily convertible to cash without significant change in value.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred in the Statement of Financial Performance.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

## 1.20 RECEIVABLES

Receivables are recognised initially at fair value, which approximates amortised cost less provision for impairment. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. An estimate is made for impairment of receivables, based on past default experience of all outstanding amounts at reporting date.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the Statement of Financial Performance.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.21 TAXES (VALUE ADDED TAX)

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position. The Municipality accounts for value-added tax (VAT) on the payment basis.

### 1.22 PAYABLES AND ANNUITY LOANS

Payables and annuity loans are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

### 1.23 CONSUMER DEPOSITS

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

### 1.24 CONDITIONAL GOVERNMENT GRANTS AND PUBLIC CONTRIBUTIONS

Grants, transfers and donations received or receivable are recognised as assets when the resources that have been transferred to the Municipality meet the definition and criteria for recognition as assets.

Conditional grants, transfers and donations are recognised as revenue to the extent that the Municipality has complied with the conditions embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the conditions have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

The liability recognised to the extent that the conditions associated with the grant, transfer or donation have not been met, always has to be cash-backed. The cash which backs up the liability is invested as a individual investment or part of the general investments of the Municipality until it is utilised.

Interest earned on investments of grants, transfers and donations are treated in accordance with conditions as stipulated in the agreement. If it is payable to the grantor it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

### 1.25 REVENUE

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the Municipality has no intention of collecting this revenue. Where the Municipality has no intention of collecting the revenue, rebates and discounts are offset against the related revenue. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

#### 1.25.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.25.1.1 *Taxation Revenue*

Taxation revenue comprises of property rates. Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

### 1.25.1.2 *Transfer Revenue*

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants, transfers and donations without any conditions attached are recognised as revenue when the asset is recognised.

### 1.25.1.3 *Fines*

Fine Revenue constitutes both spot fines and summonses. All fines issued during the year less any cancellations or reductions are recognised as revenue. Any fine reductions or cancellations subsequent to the reported date is recorded as a write-off against the provision raised for debt impairment.

### 1.25.1.4 *Insurance Refund*

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

### 1.25.1.5 *Unclaimed deposits*

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

### 1.25.1.6 *Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure*

Income from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the MFMA (Act 56 of 2003), and is recognised upon the recovery thereof from the responsible party.

### 1.25.1.7 *Services in-kind*

Services in-kind include services provided by individuals to the Municipality at no charge or where the Municipality has the right to use assets at no charge.

The Municipality's recognises services in-kind that are significant to its operations as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the Municipality and the fair value of the assets can be measured reliably.

When the criteria for recognition is satisfied, services in-kind are recognised at their fair value as at the date of acquisition.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the criteria for recognition, the Municipality only disclose the nature and type of services in-kind received during the reporting period.

### 1.25.1.8 *Contributed Assets*

Contributed assets are recognised at fair value when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

## 1.25.2 **Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.25.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service charges relating to electricity and water are based on consumption and a basic charge as per the approved tariffs. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created, based on consumption history. The provisional estimates of consumption are recognised as revenue when invoiced, except at reporting date when estimates of consumption up to the reporting date are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at reporting date is recognised as a liability under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to each property. These service charges are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved and are levied on a monthly basis.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

### 1.25.2.2 Interest earned

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

### 1.25.2.3 Rental income

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

### 1.25.2.4 Income from Agency Services

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

### 1.25.2.5 Other Tariffs

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

### 1.25.2.6 Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- (a) The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- (b) The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- (c) The amount of revenue can be measured reliably.
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.25.2.7 *Deferred payment*

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

### 1.26 **BORROWING COSTS**

Borrowing costs that are incurred by the Municipality are expensed in the Statement of Financial Performance in the period during which they are incurred, regardless of how the borrowings are applied.

### 1.27 **UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.28 **IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.29 **FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.30 **CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

### 1.31 **CAPITAL COMMITMENTS**

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.32 EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- (a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- (b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

### 1.33 RELATED PARTIES

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Related party transaction is a transfer of resources, services or obligations between the Municipality and a related party, regardless of whether a price is charged.

Management is considered a related party and comprises those persons responsible for planning, directing and controlling the activities of the Municipality, including those charged with the governance of the Municipality in accordance with legislation, in instances where they are required to perform such functions.

A close family member of management is also considered to be related party. A person is considered to be a close member of the family of another person if they are married or live together in a relationship similar to a marriage or are separated by no more than two degrees of natural or legal consanguinity or affinity.

The Municipality is exempt from the disclosure requirements in relation to related party transactions if that transactions occurs within the normal supplier and/or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the Municipality to have adopted if dealing with that individual entity or person in the same circumstances, and the terms and conditions are within the normal operating parameters established by Municipality's legal mandate.

Where the Municipality is exempt from the disclosures in accordance with the above-mentioned paragraph, the Municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable to users of the financial statements to understand the effect of related party transactions.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms, are disclosed.

### 1.34 ACCOUNTING BY PRINCIPLES AND AGENTS

An agent is an entity that has been directed another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principle and for the benefit of the principle.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

When the Municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement. The assessment of whether the Municipality is a principal or an agent requires the Municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

The Municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement shall re-assess whether they act as a principal or an agent in accordance with this Standard.

When the Municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If an entity concludes that it is not the agent, then it is the principal in the transactions.

The Municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- (a) It does not have the power to determine the significant terms and conditions of the transaction.
- (b) It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- (c) It is not exposed to variability in the results of the transaction.

Where the Municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The Municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether an entity is an agent.

Where the Municipality acts as a principle, it recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirement of the relevant Standards of GRAP.

Where the Municipality acts as an agent, it recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The Municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of other Standards of GRAP.

### 1.35 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

#### 1.35.1 Application of Directive 7

For deemed cost applied to Property, Plant and Equipment as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

GRAP implementation date for the Municipality is 1 July 2009 which is also the date applicable when applying Directive 7. The GRAP compliant period is therefore determined to be from 1 July 2009 to the current year's reported date. Where the economic useful life of an item of Property, Plant and Equipment is less than the GRAP compliant period, it is assumed that the item was either incorrectly written off in the past, or that the capital expenditure of the said item was incorrectly included in surplus. In such cases the item shall not be recognised on GRAP implementation date, but shall be taken into account on that date of the opening balances of the comparative amounts.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.35.2 Impairment of Receivables

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

### 1.35.3 Useful lives and residual values

The useful lives of assets are based on management's estimates. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

The estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

### 1.35.4 Impairment of non-monetary assets

Non-monetary assets can include, but is not limited to, Property, Plant and Equipment, Investment Property and Intangible assets.

The Municipality is not a profit-oriented entity, as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of a tariff. As such, management has determined that the Municipality does not control assets that meet the definition of cash-generating assets and that the Standard of GRAP on Impairment of Non-cash-generating Assets will apply to all assets of the Municipality.

The calculation in respect of the impairment of non-monetary assets is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This calculation will only be performed if there is an indication of an impairment.

### 1.35.5 Post-Retirement and Long-term Benefits

The cost of post retirement medical benefits and long-service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

### 1.35.6 Provisions and Contingent Liabilities

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. The discount rate used to calculate the effect of time value of money is linked to the index for earthwork as published by Statistics South Africa.

### 1.35.7 Financial Instruments and Statutory Receivables

The Municipality analyses the terms and conditions of the transactions that give rise to its receivables in order to understand whether they arise directly from legislation or similar means, or from a separate contract concluded with a party. Judgement is applied in applying the principles as set out in the respective Standards of GRAP on Financial Instruments and Statutory Receivables.

### 1.35.8 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. In making the judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in the Standard of GRAP on Financial Instruments.



# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 1.35.9 Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as prescribed in the Standard of GRAP on Revenue from Exchange Transactions and Standard of GRAP on Revenue from Non-Exchange Transactions. Specifically, when goods are sold, whether the significant risks and rewards of ownership of the goods have been transferred to the buyer and when services are rendered, whether the service has been performed.

### 1.35.10 Recognition and Derecognition of Land

In order for land to be meet the definition of an asset, the Municipality must be able to prove that control is being exercised. Control of land is evidenced by either legal ownership and/or the right to direct access to land, and to restrict or deny the access of others to land.

To demonstrate access/restriction rights, the Municipality assesses whether it has a substantive right for an unlimited period through a binding arrangement.

The above-mentioned assessment is subject to management's judgements and assumptions are applied to conclude that the Municipality controls land.

### 1.35.11 Materiality

Since materiality is an entity-specific concept, its application may result in different outcomes based on the Municipality's circumstances. The assessment of materiality therefore requires management to apply judgement about:

- (a) How information could reasonably be expected to influence the discharge of accountability by the Municipality or decisions that the users make on the basis of those financial statements.
- (b) How the nature or size or both, of the information could reasonably be expected to influence users' decisions.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

Figures in Rand

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### CASH AND CASH EQUIVALENTS

Bank Accounts	8 913 223	3 450 353
Call Investment Deposits	7 766 727	3 735 372
Cash Floats	4 940	1 672

<b>Total</b>	<b>16 684 890</b>	<b>7 187 397</b>
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Due to the short term nature of cash deposits, all balances included above are in line with their fair values.

Cash and Cash Equivalents are held to support the following commitments:

Department of Human Settlements - note 13	1 076 642	975 724
Unspent Conditional Government Grants - note 14	27 474 112	2 692 280
VAT Payable - note 44.3	1 419 503	-
Working capital requirements - refer to note 56 on financial sustainability	(13 285 367)	3 519 393
<b>Total Cash and Cash Equivalents</b>	<b>16 684 890</b>	<b>7 187 397</b>

Overdraft facilities available during the financial year with the following banking institutions:

ABSA Bank	6 000 000	6 000 000
Standard Bank	6 000 000	-

Guarantee in favour of Eskom registered with Standard Bank	-	2 900 000
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### Bank Accounts

Detail of the Bank Accounts (Cash book balances) are as follow:

Cash book balance at beginning of year	3 450 353	8 510 051
Cash book balance at end of year	8 913 223	3 450 353

Bank accounts consists out of the following accounts:

#### **Standard Bank - Account number 082163324 (Main Current Account)**

Bank statement balance at beginning of year	473	13 275
Bank statement balance at end of year	838 332	473

#### **Standard Bank - Account number 072194480 (Traffic Account)**

Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-

#### **Standard Bank - Account number 072194774 (Service Account)**

Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	5 127 184	-

#### **Standard Bank - Account number 032630263 (Current Account for debit orders)**

Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	203 916	-

#### **ABSA - Account number 40-5357-8397 (Current Account)**

Bank statement balance at beginning of year	2 944 803	8 153 573
Bank statement balance at end of year	1 866 086	2 944 803

#### **ABSA - Account number 40-7639-1003 (Traffic Account) - account closed during 2019/20**

Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

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### 2 CASH AND CASH EQUIVALENTS (CONTINUED)

#### ABSA - Account number 40-7639-1273 (Service Account) - account closed during 2019/20

Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-

#### Summary of all bank accounts

Bank statement balance at beginning of year	2 945 276	8 166 848
Bank statement balance at end of year	8 035 517	2 945 276

#### Call Investment Deposits

Call investment deposits consist out of the following accounts:

ABSA - Acc no 9282399664	-	3 735 372
Standard Bank - Acc no 088893065-001	7 766 727	-
<b>Total</b>	<b>7 766 727</b>	<b>3 735 372</b>

### 3 RECEIVABLES FROM EXCHANGE TRANSACTIONS

#### Service Receivables

Electricity	23 076 041	19 059 386
Water	38 710 447	28 059 105
Refuse	14 406 472	10 761 847
Sewerage	18 047 670	14 189 678
Other	8 117 974	4 515 907

<b>Total Gross Balance</b>	<b>102 358 604</b>	<b>76 585 922</b>
Less: Allowance for Debt Impairment	(75 185 103)	(43 230 709)
<b>Total Net Receivable</b>	<b>27 173 501</b>	<b>33 355 213</b>

Other Service Receivables consist out of interest, sundry services and rentals.

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary. Interest of prime +2% is levied on late payments.

#### Reconciliation of Allowance for Debt Impairment

Balance at the beginning of the year	43 230 709	39 730 768
Movement in the contribution to the provision	32 756 028	16 608 398
Bad Debts Written off	(801 634)	(13 108 456)
<b>Balance at the end of the year</b>	<b>75 185 103</b>	<b>43 230 709</b>

The allowance for impairment of receivables has been made for all consumer balances outstanding based on the payment ratio over the last 12 months. Outstanding debt older than 1 year has been impaired in full. No allowance for debt impairment is made for outstanding government debt. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

# CEDERBERG LOCAL MUNICIPALITY

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### 3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

	Gross Balance R	Allowance for Debt Impairment R	Net Receivable R
<b>30 June 2020</b>			
<b>Service Receivables</b>			
Electricity	23 076 041	(8 998 408)	14 077 634
Water	38 710 447	(31 399 442)	7 311 005
Refuse	14 406 472	(11 983 660)	2 422 812
Sewerage	18 047 670	(15 370 306)	2 677 364
Other	8 117 974	(7 433 287)	684 686
<b>Total</b>	<b>102 358 604</b>	<b>(75 185 103)</b>	<b>27 173 501</b>
<b>30 June 2019</b>			
<b>Service Receivables</b>			
Electricity	19 059 386	(5 200 641)	13 858 745
Water	28 059 105	(18 303 676)	9 755 429
Refuse	10 761 847	(7 907 224)	2 854 623
Sewerage	14 189 678	(9 700 735)	4 488 943
Other	4 515 907	(2 118 434)	2 397 473
<b>Total</b>	<b>76 585 922</b>	<b>(43 230 709)</b>	<b>33 355 213</b>
<b>Ageing of Receivables from Exchange Transactions</b>			
<b>Electricity</b>			
0 - 30 Days (Current)		8 822 604	8 841 624
1 to 3 months		4 716 508	3 634 174
4 months to 1 year		3 558 148	2 189 002
Over 1 year		5 978 781	4 394 586
<b>Total</b>		<b>23 076 041</b>	<b>19 059 386</b>
<b>Water</b>			
0 - 30 Days (Current)		3 090 708	4 116 446
1 to 3 months		4 972 789	4 331 012
4 months to 1 year		9 848 418	6 107 382
Over 1 year		20 798 532	13 504 265
<b>Total</b>		<b>38 710 447</b>	<b>28 059 105</b>
<b>Refuse</b>			
0 - 30 Days (Current)		981 327	813 694
1 to 3 months		1 895 751	1 443 866
4 months to 1 year		3 682 668	2 818 836
Over 1 year		7 846 726	5 685 450
<b>Total</b>		<b>14 406 472</b>	<b>10 761 847</b>
<b>Sewerage</b>			
0 - 30 Days (Current)		919 704	1 516 240
1 to 3 months		1 687 841	1 531 857
4 months to 1 year		5 635 450	2 994 727
Over 1 year		9 804 674	8 146 855
<b>Total</b>		<b>18 047 670</b>	<b>14 189 678</b>
<b>Other</b>			
0 - 30 Days (Current)		527 795	425 286
1 to 3 months		1 446 404	1 152 078
4 months to 1 year		3 050 482	2 148 116
Over 1 year		3 093 292	790 427
<b>Total</b>		<b>8 117 974</b>	<b>4 515 907</b>

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

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### 3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

#### Summary Ageing of all Receivables from Exchange Transactions

0 - 30 Days (Current)	14 342 139	15 713 290
1 to 3 months	14 719 294	12 092 986
4 months to 1 year	25 775 166	16 258 063
Over 1 year	47 522 006	32 521 583
<b>Total</b>	<b>102 358 604</b>	<b>76 585 922</b>

### 4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

#### Service Receivables

Property Rates	32 871 198	28 417 449
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#### Other Receivables

Unpaid Traffic Fines	37 135 018	28 716 773
Suspense Debtors	1 385 748	1 282 649
Deposits	1 027 227	982 794
Unpaid Grants	950 904	-

#### Total Gross Balance

73 370 095 59 399 665

Less: Allowance for Debt Impairment

(60 371 354) (44 425 494)

#### Total Net Receivable

12 998 741 14 974 171

Rates are payable monthly within 30 days after the date of accounts. An option to pay rates annually is also available and the account must be settled on or before 30 September. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary. Interest of prime +2% is levied on late payments.

#### Reconciliation of Allowance for Debt Impairment

Balance at the beginning of the year	44 425 494	51 265 880
Movement in the contribution to the provision	16 436 455	21 441 164
Property Rates	7 352 940	4 269 698
Traffic Fines	9 083 516	17 171 466
Bad Debts Written off	(490 596)	(28 281 550)
Property Rates	(490 596)	(1 556 031)
Traffic Fines	-	(26 725 519)
<b>Balance at the end of the year</b>	<b>60 371 354</b>	<b>44 425 494</b>

The allowance for debt impairment of property rates has been made for all balances outstanding based on the payment ratio over the last 12 months. Outstanding debt older than 1 year has been impaired in full. No allowance for debt impairment is made for outstanding government debt. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

The allowance for debt impairment of unpaid traffic fines has been made for all balances outstanding based on the cumulative collection rate. All unpaid traffic fines older than 1 year are impaired in full.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

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### 4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

	Gross Balance R	Allowance for Debt Impairment R	Net Receivable R
<b>30 June 2020</b>			
<b>Service Receivables</b>			
Property Rates	32 871 198	(24 316 381)	8 554 817
<b>Other Receivables</b>			
Unpaid Traffic Fines	37 135 018	(36 054 973)	1 080 045
Suspense Debtors	1 385 748	-	1 385 748
Deposits	1 027 227	-	1 027 227
Unpaid Grants	950 904	-	950 904
<b>Total</b>	<b>73 370 095</b>	<b>(60 371 354)</b>	<b>12 998 742</b>
<b>30 June 2019</b>			
<b>Service Receivables</b>			
Property Rates	28 417 449	(17 454 037)	10 963 412
<b>Other Receivables</b>			
Unpaid Traffic Fines	28 716 773	(26 971 457)	1 745 316
Suspense Debtors	1 282 649	-	1 282 649
Deposits	982 794	-	982 794
<b>Total</b>	<b>59 399 665</b>	<b>(44 425 494)</b>	<b>14 974 171</b>

### Ageing of Receivables from Non-Exchange Transactions

#### Property Rates

0 - 30 Days (Current)	3 188 816	2 980 794
1 to 3 months	4 830 583	3 689 917
4 months to 1 year	6 950 860	6 012 027
Over 1 year	17 900 939	15 734 711
<b>Total</b>	<b>32 871 198</b>	<b>28 417 449</b>

### 5 TAXES

VAT Claimable/(Payable)	(1 704 694)	141 885
VAT Input in Suspense	7 821 311	5 018 944
VAT Output in Suspense - net	(3 025 972)	(5 070 013)
VAT Output in Suspense	(11 584 549)	(10 341 468)
Less: VAT on Allowance for Debt Impairment	8 558 578	5 271 455
<b>Total</b>	<b>3 090 646</b>	<b>90 816</b>

### Reconciliation of VAT on Allowance for Debt Impairment

Balance at beginning of year	5 271 455	5 609 208
Debt Impairment for current year	3 287 123	(337 753)
Balance at the end of the year	<b>8 558 578</b>	<b>5 271 455</b>

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

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### 6 OPERATING LEASES

#### 6.1 OPERATING LEASE ASSETS

Operating Lease Asset	<b>5 429</b>	<b>452</b>
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The operating lease asset is derived from contracts where the Municipality acts as the lessor in the agreement.

#### Reconciliation of Operating Lease Asset

Balance at the beginning of the year	452	4 256
Movement during the year	4 977	(3 804)
Balance at the end of the year	<b>5 429</b>	<b>452</b>

#### The Municipality will receive the following lease payments from contracts that have defined lease payments and terms.

Within 1 Year	95 843	89 003
Between 1 and 5 Years	91 214	185 557
After 5 Years	-	-
Total operating lease payments	<b>187 057</b>	<b>274 560</b>

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land and buildings being leased. Escalation between 6% and 10% are applicable on the leases. The renewal option after lapsing of the contracts are available.

The Municipality does not engage in any sub-lease arrangements nor did the Municipality receive any contingent rent during the year.

#### 6.2 OPERATING LEASE LIABILITIES

Operating Lease Liability	<b>14 121</b>	<b>12 534</b>
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The operating lease liability is derived from contracts where the Municipality acts as the lessee in the agreement.

#### Reconciliation of Operating Lease Liability

Balance at the beginning of the year	12 534	10 561
Movement during the year	1 587	1 973
Balance at the end of the year	<b>14 121</b>	<b>12 534</b>

#### The Municipality will incur the following lease expenditure from contracts that have defined lease payments and terms.

Within 1 Year	770 985	60 979
Between 1 and 5 Years	478 669	123 451
After 5 Years	-	-
Total operating lease payments	<b>1 249 654</b>	<b>184 430</b>

The leases are in respect of land and buildings being leased. Escalations between 4% and 10% are applicable on the leases. The renewal option after lapsing of the contracts are available.

The Municipality does not engage in any sub-lease arrangements.

The Municipality did not pay any contingent rent during the year.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

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### 7 INVENTORY

Maintenance Materials - at cost	1 215 790	1 389 199
Water – at cost	171 752	161 632
<b>Total</b>	<b>1 387 542</b>	<b>1 550 831</b>

Inventory are disclosed at the lower of cost or net realisable value.

No inventory were pledged as security for liabilities.

Inventory written down due to losses identified during the annual stores counts	-	-
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Inventory recognised as an expense during the year	2 170 706	1 543 681
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### 8 INVESTMENT PROPERTY

Investment Property - Carrying Value	<b>77 144 463</b>	<b>77 214 288</b>
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The carrying value of Investment Property is reconciled as follows:

<b>Opening Carrying Value</b>	<b>77 214 288</b>	<b>77 344 037</b>
Cost	77 788 776	77 866 276
Accumulated Depreciation	(574 488)	(522 239)
Accumulated Impairment	-	-
Depreciation for the year	(52 250)	(52 249)
Disposals	(17 575)	(77 500)
<b>Closing Carrying Value</b>	<b>77 144 463</b>	<b>77 214 288</b>
Cost	77 771 201	77 788 776
Accumulated Depreciation	(626 738)	(574 488)
Accumulated Impairment	-	-

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

No significant operating expenditure was incurred on investment property during the 2019/20 and 2018/19 financial year.

<b>Cost of land included in asset register of which the Municipality is not the legal owner (iGRAP 18)</b>	<b>408 700</b>	<b>408 700</b>
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The Municipality has assessed that it controls the above-mentioned land of which it is not the legal owner. The said land pertains to the town of Elands Bay of which the demarcation borders were revised and accordingly included in the jurisdictional area of the Municipality. The title deeds of the said erven have not been transferred to the Municipality.



# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

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### 9 PROPERTY, PLANT AND EQUIPMENT

	Cost R	Accumulated Depreciation R	Accumulated Impairment R	Carrying Value R
<b>30 June 2020</b>				
Land and Buildings	22 346 044	(1 228 405)	-	21 117 639
Infrastructure	776 860 789	(277 504 752)	-	499 356 037
Leased Assets	8 192 488	(1 448 079)	-	6 744 409
Community Assets	75 778 007	(5 245 099)	-	70 532 909
Other Assets	29 470 899	(15 555 485)	-	13 915 414
Capitalised Restoration Cost	12 853 199	(10 508 664)	-	2 344 536
<b>Total</b>	<b>925 501 427</b>	<b>(311 490 484)</b>	<b>-</b>	<b>614 010 943</b>

### 30 June 2019

Land and Buildings	22 317 769	(1 098 017)	-	21 219 752
Infrastructure	745 021 409	(263 436 313)	-	481 585 096
Leased Assets	7 779 428	(1 105 500)	-	6 673 928
Community Assets	75 501 495	(4 577 886)	-	70 923 609
Other Assets	28 759 065	(14 108 232)	-	14 650 833
Capitalised Restoration Cost	17 703 812	(9 682 781)	-	8 021 031
<b>Total</b>	<b>897 082 978</b>	<b>(294 008 729)</b>	<b>-</b>	<b>603 074 250</b>

As previously reported

Correction of error restatement - note 37.2

Correction of error restatement - note 37.3

Restated balance

602 895 409

126 206

52 635

603 074 250

### Repairs and maintenance incurred on Property, Plant and Equipment

9 891 626

12 933 254

### Cost of land included in asset register of which the Municipality is not the legal owner (iGRAP 18)

1 926 800

1 926 800

The Municipality has assessed that it controls the above-mentioned land of which it is not the legal owner. The said land pertains to the town of Elands Bay of which the demarcation borders were revised and accordingly included in the jurisdictional area of the Municipality. The title deeds of the said erven have not been transferred to the Municipality.

### Capital Restorations Costs

The Municipality is required by relevant Environmental Legislation to rehabilitate landfill sites at the closure date of each respective site. The "Capitalised Restoration Cost" asset, which is capitalised in line with the requirements of GRAP 17 and iGRAP 2, relates to the initial estimate of costs involved to restore landfill sites under control of the Municipality.

### Carrying value of Property, Plant and Equipment pledged as security

6 744 409

6 673 928

The leased assets are financed through a finance lease agreement and are secured as set out in note 11.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

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9	<b>PROPERTY, PLANT AND EQUIPMENT (CONTINUED)</b>		
	<b>Work in Progress projects taking a significant longer period to complete</b>		
	- <i>Citrusdal Waste Water Treatment Works</i>	67 982 594	64 012 309
	Funding is required to complete the mechanical and electrical phase of the project. Funding requests had been submitted to the Department of Water and Sanitation and the Municipal Infrastructure Grant (MIG). The project is on the approved Detail Project Implementation Plan of the MIG 2020/21 and 2021/22 financial year.		
	- <i>Lamberts Bay Desalination Plant</i>	58 788 544	58 788 544
	Funding submissions to complete the desalination plant were made to the Department of Water and Sanitation. R 36 million was gazetted for the 2020/21 financial year.		
	- <i>Clanwilliam Water Treatment Works</i>	4 021 319	4 021 319
	The project is registered with the Regional Bulk Infrastructure Grant (RBIG) of the Department of Water and Sanitation. The Implementation Readiness Study (IRS) which is a requirement for RBIG projects was approved by the RBIG committee and is awaiting Cederberg Council approval. However, counter-funding in the region of R15 million is required from the Municipality as its non-social component contribution towards the project. The waiver of counter funding applications to National Treasury have been unsuccessful.		
	- <i>Upgrade sidewalks and build new sidewalks in Denne Street</i>	119 281	119 281
	This project is about 70% completed and will be completed once internal funding becomes available.		
	- <i>Ablution facilities in Khayelitsha</i>	1 876 674	1 876 674
	The project included the relocation of informal structures along the Ou Kaapse Weg to the area where the ablution blocks were constructed. Also included was the access road to the new area. The public participation process with the affected community is still underway as the affected parties are reluctant to relocate. Moreover, the project portion for relocation is insufficient as the number of structures had increased from the one applied for.		
	- <i>Construction of sewerage pump stations</i>	7 245 604	7 245 604
	Funding is required to complete the mechanical and electrical phase of the project. Funding requests had been submitted to the Department of Water and Sanitation and the Municipal Infrastructure Grant (MIG). The project is on the approved Detail Project Implementation Plan of the MIG 2020/21 and 2021/22 financial year.		
	- <i>Elands Bay economic corridor</i>	1 124 162	1 124 162
	Project will be completed once internal funds becomes available. The internal funds will be used for completion of ablution facilities and a kitchen.		
	- <i>Upgrading of sport fields - Graafwater</i>	4 521 375	4 521 375
	Tenders had come in higher than the available funds at the beginning of the project. Two contracts have been terminated to date due to failure by the contractors to honour their obligations to contracts. The project is being planned for 2020/21 financial year with a new tender process for a contractor.		
	- <i>Upgrading of sport fields - Lamberts Bay</i>	95 641	95 641
	Project will be completed once internal funds become available.		
	- <i>Upgrading of sport fields - Clanwilliam</i>	1 878 177	1 795 928
	Tenders had come in higher than the available funds at the beginning of the project. Two contracts have been terminated to date due to failure by the contractors to honour their obligations to contracts. The project is being planned for 2020/21 financial year with a new tender process for a contractor.		
	<b>Total</b>	<b>147 653 370</b>	<b>143 600 836</b>

No impairment has been recognised on the above-mentioned projects. The corresponding figures has been restated.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of Carrying Value	Cost						Accumulated Depreciation and Impairment					Carrying Value
30 June 2020	Opening Balance	Additions	Disposals	Transfer of Assets	Transfer to Capital Assets	Closing Balance	Opening Balance	Depreciation Charge	Impairment (Reversal)	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
<b>Land and Buildings</b>	<b>22 317 769</b>	<b>28 275</b>	-	-	-	<b>22 346 044</b>	<b>1 098 017</b>	<b>130 388</b>	-	-	<b>1 228 405</b>	<b>21 117 639</b>
Land	8 184 902	-	-	-	-	8 184 902	-	-	-	-	-	8 184 902
Buildings	14 132 867	-	-	-	28 275	14 161 142	1 098 017	130 388	-	-	1 228 405	12 932 737
Work in progress	-	28 275	-	-	(28 275)	-	-	-	-	-	-	-
<b>Infrastructure</b>	<b>745 021 409</b>	<b>32 153 314</b>	<b>(313 935)</b>	-	-	<b>776 860 789</b>	<b>263 436 313</b>	<b>14 323 872</b>	-	<b>(255 433)</b>	<b>277 504 752</b>	<b>499 356 037</b>
Electrical	152 151 742	-	(313 935)	-	13 969 685	165 807 491	83 109 024	3 883 622	-	(255 433)	86 737 213	79 070 278
Roads	142 771 576	-	-	-	40 406	142 811 982	67 482 610	3 851 130	-	-	71 333 739	71 478 243
Sanitation	108 098 341	206 052	-	-	149 653	108 454 047	38 353 079	2 489 648	-	-	40 842 728	67 611 319
Storm Water	27 747 507	-	-	-	-	27 747 507	5 604 524	549 585	-	-	6 154 110	21 593 397
Water Supply	141 712 827	-	-	-	10 881 178	152 594 004	68 887 075	3 549 887	-	-	72 436 962	80 157 042
Work in progress	172 539 416	31 947 262	-	-	(25 040 922)	179 445 756	-	-	-	-	-	179 445 756
<b>Leased Assets</b>	<b>7 779 428</b>	<b>748 550</b>	<b>(335 490)</b>	-	-	<b>8 192 488</b>	<b>1 105 500</b>	<b>663 349</b>	-	<b>(320 769)</b>	<b>1 448 079</b>	<b>6 744 409</b>
Furniture and Office Equipment	3 378 789	748 550	(335 490)	-	-	3 791 849	676 447	419 135	-	(320 769)	774 813	3 017 037
Transport Assets	4 400 639	-	-	-	-	4 400 639	429 053	244 213	-	-	673 267	3 727 372
<b>Community Assets</b>	<b>75 501 495</b>	<b>276 513</b>	-	-	-	<b>75 778 007</b>	<b>4 577 886</b>	<b>667 213</b>	-	-	<b>5 245 099</b>	<b>70 532 909</b>
Community Facilities	16 737 591	-	-	-	57 266	16 794 857	925 328	137 167	-	-	1 062 495	15 732 363
Sport and Recreational Facilities	51 226 797	-	-	-	136 998	51 363 795	3 652 558	530 046	-	-	4 182 604	47 181 191
Work in progress	7 537 106	276 513	-	-	(194 264)	7 619 355	-	-	-	-	-	7 619 355
<b>Other Assets</b>	<b>28 759 065</b>	<b>1 377 183</b>	<b>(665 348)</b>	-	-	<b>29 470 899</b>	<b>14 108 232</b>	<b>1 995 743</b>	-	<b>(548 489)</b>	<b>15 555 485</b>	<b>13 915 414</b>
Computer Equipment	2 890 177	19 750	(53 612)	-	-	2 856 315	1 363 582	296 271	-	(43 004)	1 616 849	1 239 467
Furniture and Office Equipment	7 015 024	169 333	(179 177)	-	-	7 005 180	3 527 239	525 818	-	(159 755)	3 893 303	3 111 877
Machinery and Equipment	9 326 578	1 188 099	(432 559)	-	-	10 082 118	5 014 260	750 392	-	(345 730)	5 418 922	4 663 196
Transport Assets	9 527 286	-	-	-	-	9 527 286	4 203 150	423 262	-	-	4 626 412	4 900 874
<b>Capitalised Restoration Cost</b>	<b>17 703 812</b>	<b>295 424</b>	<b>(5 146 037)</b>	-	-	<b>12 853 199</b>	<b>9 682 781</b>	<b>825 883</b>	-	-	<b>10 508 664</b>	<b>2 344 536</b>
Landfill Site Rehabilitation	17 703 812	295 424	(5 146 037)	-	-	12 853 199	9 682 781	825 883	-	-	10 508 664	2 344 536
	<b>897 082 978</b>	<b>34 879 258</b>	<b>(6 460 810)</b>	-	-	<b>925 501 427</b>	<b>294 008 729</b>	<b>18 606 447</b>	-	<b>(1 124 691)</b>	<b>311 490 484</b>	<b>614 010 943</b>

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

### 9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of Carrying Value	Cost						Accumulated Depreciation and Impairment					Carrying Value
30 June 2019	Opening Balance	Additions	Disposals	Transfer of Assets	Transfer to Capital Assets	Closing Balance	Opening Balance	Depreciation Charge	Impairment (Reversal)	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
<b>Land and Buildings</b>	<b>22 292 759</b>	<b>25 010</b>	-	-	-	<b>22 317 769</b>	<b>968 776</b>	<b>129 241</b>	-	-	<b>1 098 017</b>	<b>21 219 752</b>
Land	8 184 902	-	-	-	-	8 184 902	-	-	-	-	-	8 184 902
Buildings	14 107 857	25 010	-	-	-	14 132 867	968 776	129 241	-	-	1 098 017	13 034 850
<b>Infrastructure</b>	<b>649 526 990</b>	<b>84 975 393</b>	<b>(957 745)</b>	<b>11 476 772</b>	-	<b>745 021 409</b>	<b>252 066 057</b>	<b>11 959 959</b>	-	<b>(589 702)</b>	<b>263 436 313</b>	<b>481 585 096</b>
Electrical	149 777 061	-	(856 998)	-	3 231 679	152 151 742	80 272 498	3 361 512	-	(524 987)	83 109 024	69 042 718
Roads	111 981 040	-	(74 870)	7 005 022	23 860 385	142 771 576	64 627 357	2 914 225	-	(58 972)	67 482 610	75 288 967
Sanitation	75 524 244	-	-	1 130 038	31 444 059	108 098 341	36 169 058	2 184 022	-	-	38 353 079	69 745 262
Storm Water	17 690 755	-	-	1 401 328	8 655 424	27 747 507	5 198 067	406 458	-	-	5 604 524	22 142 983
Water Supply	120 317 523	376 690	(25 876)	1 940 383	19 104 106	141 712 827	65 799 077	3 093 742	-	(5 744)	68 887 075	72 825 751
Work in progress	174 236 366	84 598 703	-	-	(86 295 653)	172 539 416	-	-	-	-	-	172 539 416
<b>Leased Assets</b>	<b>5 944 147</b>	<b>1 835 281</b>	-	-	-	<b>7 779 428</b>	<b>626 663</b>	<b>478 837</b>	-	-	<b>1 105 500</b>	<b>6 673 928</b>
Furniture and Office Equipment	1 543 508	1 835 281	-	-	-	3 378 789	415 245	261 202	-	-	676 447	2 702 342
Transport Assets	4 400 639	-	-	-	-	4 400 639	211 418	217 635	-	-	429 053	3 971 586
<b>Community Assets</b>	<b>71 500 164</b>	<b>4 001 330</b>	-	-	-	<b>75 501 495</b>	<b>3 959 705</b>	<b>618 181</b>	-	-	<b>4 577 886</b>	<b>70 923 609</b>
Community Facilities	16 503 653	233 938	-	-	-	16 737 591	793 407	131 920	-	-	925 328	15 812 264
Sport and Recreational Facilities	49 241 873	1 726 039	-	-	258 886	51 226 797	3 166 298	486 260	-	-	3 652 558	47 574 239
Work in progress	5 754 638	2 041 354	-	-	(258 886)	7 537 106	-	-	-	-	-	7 537 106
<b>Other Assets</b>	<b>28 118 194</b>	<b>2 363 491</b>	<b>(1 722 621)</b>	-	-	<b>28 759 065</b>	<b>12 998 075</b>	<b>2 111 027</b>	-	<b>(1 000 870)</b>	<b>14 108 232</b>	<b>14 650 833</b>
Computer Equipment	2 545 722	650 432	(305 977)	-	-	2 890 177	1 307 830	297 181	-	(241 429)	1 363 582	1 526 595
Furniture and Office Equipment	6 434 979	778 974	(198 929)	-	-	7 015 024	3 186 125	489 886	-	(148 772)	3 527 239	3 487 785
Machinery and Equipment	8 750 326	831 405	(255 153)	-	-	9 326 578	4 469 419	711 060	-	(166 219)	5 014 260	4 312 317
Transport Assets	10 387 168	102 680	(962 562)	-	-	9 527 286	4 034 701	612 900	-	(444 451)	4 203 150	5 324 136
<b>Capitalised Restoration Cost</b>	<b>16 563 792</b>	<b>1 200 839</b>	<b>(60 819)</b>	-	-	<b>17 703 812</b>	<b>8 610 705</b>	<b>1 072 076</b>	-	-	<b>9 682 781</b>	<b>8 021 031</b>
Landfill Site Rehabilitation	16 563 792	1 200 839	(60 819)	-	-	17 703 812	8 610 705	1 072 076	-	-	9 682 781	8 021 031
	<b>793 946 047</b>	<b>94 401 345</b>	<b>(2 741 185)</b>	<b>11 476 772</b>	-	<b>897 082 978</b>	<b>279 229 981</b>	<b>16 369 321</b>	-	<b>(1 590 573)</b>	<b>294 008 729</b>	<b>603 074 250</b>

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

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### INTANGIBLE ASSETS

Intangible Assets - Carrying Value	<b>1 476 849</b>	<b>1 700 721</b>
As previously reported		1 562 063
Correction of error restatement - note 37.3		138 658
Restated balance		<b>1 700 721</b>

The carrying value of intangible Assets is reconciled as follows:

#### Opening Carrying Value

	<b>1 700 721</b>	<b>1 720 210</b>
Cost	2 359 342	2 172 773
Accumulated Depreciation	(658 621)	(452 563)
Accumulated Impairment	-	-
Additions	-	196 821
Amortisation	(223 574)	(213 569)
Disposal	(298)	(2 741)

Cost	(1 491)	(10 252)
Accumulated Depreciation	1 193	7 511

#### Closing Carrying Value

	<b>1 476 849</b>	<b>1 700 721</b>
Cost	2 357 851	2 359 342
Accumulated Depreciation	(881 002)	(658 621)
Accumulated Impairment	-	-

Intangible Assets consist only out of software.

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities.

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### LONG-TERM LIABILITIES

Annuity Loans	12 752 536	15 156 674
Finance Lease Liabilities	4 446 019	5 424 605
<b>Sub-Total</b>	<b>17 198 555</b>	<b>20 581 279</b>
Less: Current portion of Long-term Liabilities	<b>4 717 622</b>	<b>4 111 571</b>
Annuity Loans	2 663 604	2 404 135
Finance Lease Liabilities	2 054 018	1 707 435
<b>Total</b>	<b>12 480 933</b>	<b>16 469 708</b>

#### 11.1 Annuity Loans

Annuity Loans, disclosed at amortised cost, consist out of the following agreements:

Institution and loan number	Rate	Maturity Date	Carrying Value of Liability	
ABSA (038-723-0992)	9.84%	1 April 2025	1 859 235	2 133 680
ABSA (038-723-0993)	10.43%	17 June 2025	3 136 249	3 592 717
ABSA (038-723-0994)	10.45%	17 Nov 2025	1 359 262	1 533 902
ABSA (038-723-0995)	10.45%	17 Aug 2028	1 458 736	1 618 118
Standard Bank (03-263-793-4)	10.36%	31 Mar 2023	4 939 053	6 278 257
<b>Total</b>			<b>12 752 536</b>	<b>15 156 674</b>

All annuity loans are unsecured.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

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### 11 LONG-TERM LIABILITIES (CONTINUED)

Annuity loans are payable as follows:

Payable within one year	3 943 090	3 943 089
Payable within two to five years	11 857 332	13 814 847
Payable after five years	510 819	2 496 396
<b>Total amount payable</b>	<b>16 311 241</b>	<b>20 254 332</b>
Less: Outstanding Future Finance Charges	(3 558 705)	(5 097 658)
<b>Present value of annuity loans</b>	<b>12 752 536</b>	<b>15 156 674</b>

### 11.2 Finance Lease Liabilities

Finance Lease Liabilities, disclosed at amortised cost, consist out of the following agreements:

Description	Maturity Date	Carrying Value of Liability	
Printers D3Q20B	31 Dec 2019	-	11 121
Printers MPC305SPF	31 Dec 2019	-	12 069
Printers MPC2004SP	30 Apr 2020	-	63 175
Printers MPC8003SP	30 Apr 2020	-	62 174
Xerox AltaLink C8055	28 Feb 2021	21 039	48 702
Xerox Versalink C7025	28 Feb 2021	155 987	361 085
Samsung 057400 Pabx System	31 May 2022	2 069 569	1 802 318
Isuzu Kb 250C Fleetside Regular Cab	1 Jul 2022	109 649	154 135
Isuzu Kb 250C Fleetside Regular Cab	1 Jul 2022	109 649	154 135
Isuzu Kb 250C Fleetside Regular Cab	1 Jul 2022	109 649	154 135
Chevrolet Utility 1.4 + A/C (M18)	1 Jul 2022	82 074	115 372
Chevrolet Utility 1.4 + A/C (M18)	1 Jul 2022	82 074	115 372
Isuzu Kb 250C Fleetside Regular Cab	1 Jul 2022	111 083	156 150
Isuzu Kb 250C Fleetside Regular Cab	1 Aug 2022	114 129	158 443
Isuzu Kb 250C Fleetside Regular Cab	1 Aug 2022	201 411	279 616
Isuzu N Series NLR 150	1 Aug 2022	217 853	302 442
Isuzu Kb 250C Fleetside Regular Cab	1 Aug 2022	114 129	158 443
Isuzu N Series NLR 150	1 Aug 2022	217 853	302 442
Isuzu N Series NLR 150	1 Aug 2022	217 853	302 442
Isuzu N Series NLR 150	1 Aug 2022	217 853	302 442
Isuzu Kb 250C Fleetside Regular Cab	1 Aug 2022	114 129	158 443
Toyota Etios Sedan 1.5SD Sprint	1 Aug 2022	90 021	124 974
Toyota Etios Sedan 1.5SD Sprint	1 Aug 2022	90 021	124 974
<b>Total</b>		<b>4 446 019</b>	<b>5 424 605</b>

Finance Leases Liabilities are secured by Property, Plant and Equipment - refer to note 9.

Leased assets remain the property of the lessor after maturity and new lease contracts are negotiated to replace lapsed contracts.

Finance Lease Liabilities are payable as follows:

Payable within one year	2 831 839	2 506 417
Payable within two to five years	2 685 179	4 413 129
Payable after five years	-	-
<b>Total amount payable</b>	<b>5 517 018</b>	<b>6 919 546</b>
Less: Outstanding Future Finance Charges	(1 070 999)	(1 494 941)
<b>Present value of finance lease liabilities</b>	<b>4 446 019</b>	<b>5 424 605</b>

### 12 CONSUMER DEPOSITS

Water and Electricity Deposits	<b>2 108 188</b>	<b>2 055 177</b>
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The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

<i>Figures in Rand</i>		2020	2019
<b>13</b>	<b>PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
	Trade Payables	68 018 620	70 396 261
	Retentions	3 076 477	2 783 502
	Payments received in advance	2 232 505	1 848 229
	Pre-paid Electricity	608 214	539 224
	Sundry Creditors	5 703 852	2 170 227
	Sundry Deposits	89 150	80 633
	Accrued Interest	213 527	263 736
	Unknown Receipts	100 888	87 855
	Department of Human Settlements	1 076 642	975 724
	<b>Total</b>	<b>81 119 876</b>	<b>79 145 391</b>
	As previously reported		77 496 745
	Correction of error restatement - note 37.2		672 922
	Change in accounting policy restatement - note 38.1		975 724
	Restated balance		79 145 391
	Payables are being recognised net of any discounts received.		
	The credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary		
	The carrying value of trade and other payables approximates its fair value.		
	Sundry deposits include hall, builders and housing Deposits.		
	The Municipality acts as an agent for the Department of Human Settlements. Refer to note 49.2 for additional disclosure in this regard.		
	The following serves as security for payables:		
	- Bank guarantee as per note 2	-	2 900 000
	- Cash deposits as per note 4	1 027 227	982 794
		<b>1 027 227</b>	<b>3 882 794</b>
<b>14</b>	<b>UNSPENT CONDITIONAL GOVERNMENT GRANTS</b>		
	National Government	26 019 226	1 254 762
	Provincial Government	1 454 886	1 437 518
	<b>Total</b>	<b>27 474 112</b>	<b>2 692 280</b>
	As previously reported		4 340 926
	Correction of error restatement - note 37.2		(672 922)
	Change in accounting policy restatement - note 38.1		(975 724)
	Restated balance		2 692 280
	Detail reconciliations of all grants received and grant conditions met are included in note 19. Unspent grant balances are recognised to the extent that conditions are not yet met.		
	No grants were withheld in the current year.		
	Due to the short term nature of unspent grant balances, the carrying value approximates the fair value of the unspent conditional grants at year-end.		
<b>15</b>	<b>CURRENT EMPLOYEE BENEFITS</b>		
	Bonuses	3 088 242	2 704 551
	Staff Leave	7 290 712	5 200 187
	Performance Bonuses	-	352 719
	Current portion of Non-Current Employee Benefits - note 16	1 266 000	1 239 525
	Post Retirement Medical Benefits	846 000	845 252
	Long Service Awards	420 000	394 273
	<b>Total</b>	<b>11 644 954</b>	<b>9 496 983</b>

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

*Figures in Rand*

### 15 CURRENT EMPLOYEE BENEFITS (CONTINUED)

The movement in current employee benefits are reconciled as follows:

#### 15.1 Bonuses

Opening Balance	2 704 551	2 313 974
Contribution during the year	5 500 994	4 858 297
Payments made	(5 117 303)	(4 467 720)
Balance at the end of the year	<b>3 088 242</b>	<b>2 704 551</b>

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle.

#### 15.2 Staff Leave

Opening Balance	5 200 187	4 528 535
Contribution during the year	2 600 046	1 229 951
Payments made	(509 521)	(558 299)
Balance at the end of the year	<b>7 290 712</b>	<b>5 200 187</b>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

#### 15.3 Performance Bonuses

Opening Balance	352 719	278 252
Contribution during the year	100 074	409 070
Payments made	(452 794)	(334 603)
Balance at the end of the year	<b>-</b>	<b>352 719</b>

Performance bonuses are being paid to the Municipal Manager and Directors after an evaluation of performance by the council.

### 16 EMPLOYEE BENEFITS

Post Retirement Medical Benefits	23 618 000	26 122 144
Long Service Awards	5 188 000	4 662 853
<b>Sub-Total</b>	<b>28 806 000</b>	<b>30 784 997</b>
Less: Current portion of Employee Benefits	<b>1 266 000</b>	<b>1 239 525</b>
Post Retirement Medical Benefits	846 000	845 252
Long Service Awards	420 000	394 273
<b>Total</b>	<b>27 540 000</b>	<b>29 545 472</b>

#### 16.1 Post Retirement Medical Benefits

The movement in Post Retirement Medical Benefits are reconciled as follows:

Opening Balance	26 122 144	30 539 493
Contribution during the year	4 188 879	5 076 762
Current Service Cost	1 751 658	2 155 169
Interest Cost	2 437 221	2 921 593
Payments made	(823 390)	(800 179)
Actuarial Loss/(Gain)	(5 869 633)	(8 693 932)
Total balance at year-end	23 618 000	26 122 144
Less: Current portion	(846 000)	(845 252)
<b>Total</b>	<b>22 772 000</b>	<b>25 276 892</b>



# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

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### 16 EMPLOYEE BENEFITS (CONTINUED)

The Post Retirement Medical Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service members	138	137
In-service non-members	210	198
Continuation members	23	23
<b>Total</b>	<b>371</b>	<b>358</b>

The unfunded liability in respect of past service recognised in the Statement of Financial Position is as follows:

	In-Service Members R	In-Service non-Members R	Continuation Members R	Total unfunded Liability R
30 June 2020	11 693 000	1 710 000	10 215 000	23 618 000
30 June 2019	12 962 106	1 661 921	11 498 117	26 122 144
30 June 2018	17 899 731	3 662 026	8 977 736	30 539 493
30 June 2017	14 144 824	3 467 924	8 095 194	25 707 942
30 June 2016	13 926 711	3 461 389	7 674 256	25 062 356

The Municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25.

Experience adjustments were calculated as follows:

	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
30 June 2020	(668 000)	-
30 June 2019	1 369 000	-
30 June 2018	485 000	-
30 June 2017	(30 000)	-
30 June 2016	(743 000)	-

The Municipality contributes to the following medical schemes on a monthly basis:

Bonitas  
LA Health  
Hosmed  
Samwumed  
Keyhealth

Key Actuarial Assumptions used are as follows:

#### i) Interest Rates

Discount rate	10.60%	9.48%
Health Care Cost Inflation Rate	6.63%	6.92%
Net Effective Discount Rate	3.72%	2.39%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

#### ii) Mortality Rates

The PA 90 ultimate table, rated down by 1 year of age for post retirement, and the SA 85-90 table for in service employees, were used by the actuaries.

#### iii) Normal Retirement Age

It has been assumed that in-service members will retire at age 62, which then implicitly allows for expected rates of early and ill-health retirement.

#### iv) Last Valuation

The last valuation was performed on 18 August 2020.

#### v) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

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### 16 EMPLOYEE BENEFITS (CONTINUED)

#### Sensitivity Analysis - Liability at year-end

Assumption	In-service members (R)	Continuation members (R)	Total liability (R)	% change
Liability	13 403 000	10 215 000	23 618 000	
Health care inflation rate ( + 1% )	15 959 000	11 248 000	27 207 000	15%
Health care inflation rate ( - 1% )	11 362 000	9 325 000	20 687 000	-12%
Discount rate ( + 1% )	11 445 000	9 361 000	20 806 000	-12%
Discount rate ( - 1% )	15 882 000	11 217 000	27 099 000	15%
Post-employment mortality ( + 1 year )	13 059 000	9 910 000	22 969 000	-3%
Post-employment mortality ( - 1 year )	13 743 000	10 519 000	24 262 000	3%
Average retirement age ( - 1 year )	14 590 000	10 215 000	24 805 000	5%
Continuation of membership at retirement ( - 10% )	10 802 000	10 215 000	21 017 000	-11%

#### Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	Current Service Cost (R)	Interest Cost (R)	Total Cost (R)	% change
Estimated for 2020/21	1 118 000	2 460 000	3 578 000	
Health care inflation rate ( + 1% )	1 370 000	2 840 000	4 210 000	18%
Health care inflation rate ( - 1% )	922 000	2 149 000	3 071 000	-14%
Discount rate ( + 1% )	938 000	2 366 000	3 304 000	-8%
Discount rate ( - 1% )	1 350 000	2 562 000	3 912 000	9%
Post-employment mortality ( + 1 year )	1 089 000	2 391 000	3 480 000	-3%
Post-employment mortality ( - 1 year )	1 147 000	2 528 000	3 675 000	3%
Average retirement age ( - 1 year )	1 184 000	2 586 000	3 770 000	5%
Continuation of membership at retirement ( - 10% )	869 000	2 184 000	3 053 000	-15%

### 16.2 Long Service Awards

The movement in Long Service Awards are reconciled as follows:

Opening Balance	4 662 853	3 680 219
Contribution during the year	846 753	642 477
Current Service Cost	475 325	344 096
Interest Cost	371 428	298 381
Payments made	(257 285)	(447 865)
Actuarial Loss/(Gain)	(64 321)	788 022
Total balance at year-end	<b>5 188 000</b>	<b>4 662 853</b>
Less: Current portion	(420 000)	(394 273)
<b>Total</b>	<b>4 768 000</b>	<b>4 268 580</b>

The Long Service Awards plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Awards

348

335

#### The unfunded liability in respect of past service recognised in the Statement of Financial Position is as follows:

#### Unfunded Liability R

30 June 2020	5 188 000
30 June 2019	4 662 853
30 June 2018	3 680 219
30 June 2017	3 304 955
30 June 2016	3 312 522

The Municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

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### 16 EMPLOYEE BENEFITS (CONTINUED)

Experience adjustments were calculated as follows:

	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
30 June 2020	362 667	-
30 June 2019	267 536	-
30 June 2018	201 190	-
30 June 2017	(59 844)	-
30 June 2016	(80 347)	-

Key Actuarial Assumptions used are as follows:

#### i) Interest Rates

Discount rate	7.66%	8.31%
General Salary Inflation (long-term)	4.19%	5.65%
Net Effective Discount Rate applied to salary-related Long Service Awards	3.33%	2.52%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

#### ii) Last Valuation

The last valuation was performed on 18 August 2020.

#### iii) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

#### Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Current Liability (R)	Liability (R)	% Change
General earnings inflation rate ( + 1%)	5 188 000	5 562 000	7%
General earnings inflation rate ( - 1% )	5 188 000	4 854 000	-6%
Discount rate ( + 1% )	5 188 000	4 846 000	-7%
Discount rate ( - 1% )	5 188 000	5 576 000	7%
Average retirement age ( + 2 years )	5 188 000	5 846 000	13%
Average retirement age ( - 2 years )	5 188 000	4 668 000	-10%
Withdrawal rates ( x 2 )	5 188 000	4 057 000	-22%
Withdrawal rates ( x 0.5 )	5 188 000	5 980 000	15%

#### Sensitivity Analysis on the Current-service and Interest Costs

Assumption	Current Service Cost (R)	Interest Cost (R)	Total(R)	% Change
Estimated for 2020/21	495 000	382 000	877 000	
General earnings inflation rate ( + 1%)	541 000	410 000	951 000	8%
General earnings inflation rate ( - 1% )	455 000	356 000	811 000	-8%
Discount rate ( + 1% )	459 000	402 000	861 000	-2%
Discount rate ( - 1% )	538 000	358 000	896 000	2%
Average retirement age ( + 2 years )	550 000	432 000	982 000	12%
Average retirement age ( - 2 years )	441 000	342 000	783 000	-11%
Withdrawal rates ( x 2 )	350 000	295 000	645 000	-26%
Withdrawal rates ( x 0.5 )	607 000	442 000	1 049 000	20%

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

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### 16 EMPLOYEE BENEFITS (CONTINUED)

#### 16.3 Other Pension Benefits

##### Defined Benefit Plans

Council contributes to the following defined benefit plans:

LA Retirement Fund (Former Cape Joint Pension Fund)	101 618	91 674
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The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2019 revealed that the fund is in a sound financial position with a funding level of 100.7% (30 June 2018 - 103.7%).

Consolidated Retirement Fund (Former Cape Retirement Fund)	9 082 738	8 081 601
--	-----------	-----------

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2019 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2018 - 100.4%).

<b>Total</b>	<b>9 184 356</b>	<b>8 173 275</b>
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Both the LA Retirement Fund and Consolidated Retirement Fund are multi-employer plans. Multiple local authorities participate in these multi-employer funds. Multi-employer plans are defined as defined benefit plans. When sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the LA Retirement Fund and Consolidated Retirement Fund are Multi-employer funds defined as defined benefit plan, it will be accounted for as defined contribution plan due to sufficient information not being available.

##### Defined Contribution Plans

Council contributes to the following defined contribution plans:

National Funds for Municipal Workers	730 263	684 086
SAMWU National Provident Fund	1 191 747	1 127 874
Municipal Councillors Pension Fund	510 316	519 268

<b>Total</b>	<b>2 432 326</b>	<b>2 331 228</b>
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The retirement benefit funds are subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

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### NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites

31 680 030

33 717 227

The movement in Rehabilitation Provision - Landfill Sites are reconciled as follows:

Opening Balance

33 717 226

29 702 048

Contribution during the year

(2 037 197)

4 015 178

Increase/(Decrease) in estimate

(5 233 590)

1 140 020

Interest Cost

3 196 393

2 875 158

**Total**

**31 680 030**

**33 717 226**

The calculation for the rehabilitation of the landfill site provision was compiled by an independent qualified engineer in order to determine the present value to rehabilitate the landfill sites at the end of its useful life. The total obligation at year-end can be attributed to the following sites:

Location	Site Dimensions	Estimated Decommission Date	Cost of Rehabilitation	Cost of Rehabilitation
Clanwilliam	23 616m <sup>2</sup>	2024	9 289 256	10 891 368
Lambert's Bay	17 580m <sup>2</sup>	2024	8 272 169	9 035 923
Citrusdal	26 505m <sup>2</sup>	2036	7 710 144	8 079 908
Graafwater	3 000m <sup>2</sup>	2024	2 652 899	2 549 508
Elands Bay	4 263m <sup>2</sup>	2024	3 755 562	3 160 520
<b>Total</b>			<b>31 680 030</b>	<b>33 717 226</b>

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### PROPERTY RATES

Rateable Land and Buildings

45 526 373

42 146 144

**Total**

**45 526 373**

**42 146 144**

Property rate levied are based on the following rateable valuations:

Residential	2 689 798 000	2 966 661 458
Business and Industrial	503 292 200	441 627 000
State-owned	181 674 000	165 409 000
Agricultural and Private Farm Towns	2 874 835 820	2 600 672 412
<b>Total Valuation</b>	<b>6 249 600 020</b>	<b>6 174 369 870</b>

Rate that is applicable to the valuations above:

Residential	1.296c/R	1.222c/R
Business and Industrial	1.675c/R	1.580c/R
State-owned	1.675c/R	1.580c/R
Agricultural and Private Farm Towns	0.324c/R	0.305c/R

Valuations on land and buildings are performed every five years. The last valuation came into effect on 1 July 2016. Interim valuations are processed on an annual basis to include changes in property values and subdivisions.

The first R 15 000 of the valuation on properties used only for residential purposes are exempted from property rates in terms of the Property Rates Act.

An additional rebate of R35 000 of the valuation on properties used only for residential purposes are exempted from property rates in terms of the Municipality's policy.

Rates are levied monthly and annually. Monthly rates are payable by the end of the month in which the amount was levied and annual rates are payable before 30 September. Interest is levied at the prime rate plus 2% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but in terms of Council's own policy opted not to collect it.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

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### GOVERNMENT GRANTS AND SUBSIDIES

#### Unconditional Grants - National Government

Equitable Share

49 200 761

45 080 030

49 200 761

45 080 030

#### Conditional Grants - National Government

34 488 678

32 653 526

Municipal Infrastructure Grant (MIG)

16 617 904

9 634 000

Financial Management Grant (FMG)

2 085 000

1 620 000

Integrated National Electrification Programme (INEP)

9 640 981

8 000 000

Expanded Public Works Program (EPWP)

1 954 000

1 819 000

Water Service Infrastructure Grant (WSIG)

4 058 324

6 681 486

Municipal Disaster Relief Grant (Drought Relief)

-

4 899 040

Municipal Disaster Relief Grant (COVID-19)

132 469

-

#### Conditional Grants - Provincial Government

10 413 665

67 945 096

Human Settlement Development Grant

-

44 566 052

Library Services MRF

4 594 432

4 466 451

CDW Support

328 824

79 252

Housing Consumer Education

-

-

Municipal Drought Support Grant

3 663 302

5 129 471

Local Government Graduate Internship Grant

16 029

39 513

Financial Management Support Grant

499 611

966 118

Municipal Capacity Building Grant

34 055

92 164

Acceleration of Housing Delivery

698 058

11 722 678

Thusong Service Centre Grant

29 355

181 002

Municipal Disaster Grant (Drought Relief)

-

632 423

Road Maintenance (Proclaimed)

-

69 972

Local Government Support Grants (COVID-19)

550 000

-

#### Conditional Grants - Other Grant Providers

50 000

-

West Coast District Municipality - COVID 19

50 000

-

#### Total

94 153 104

145 678 652

As previously reported

167 255 692

Correction of error restatement - note 37.2

672 922

Change in accounting policy restatement - note 38.1

(22 249 962)

Restated balance

145 678 652

Disclosed as:

Government Grants and Subsidies - Operating

64 461 748

62 079 857

Government Grants and Subsidies - Capital

29 691 356

83 598 795

#### Total

94 153 104

145 678 652

Grants per Vote (MFMA Sec 123 (c)):

Equitable share

49 200 761

45 080 030

Vote 1 - Executive and Council

-

79 252

Vote 2 - Office of Municipal Manager

16 029

39 513

Vote 3 - Financial Administrative Services

2 085 000

1 620 000

Vote 4 - Community Development Services

6 577 787

7 098 876

Vote 5 - Corporate and Strategic Services

362 879

92 164

Vote 6 - Planning and Development Services

11 765 033

91 668 817

Vote 7 - Public Safety

732 469

-

Vote 8 - Electricity

11 619 761

-

Vote 9 - Waste Management

-

-

Vote 10 - Waste Water Management

3 572 149

-

Vote 11 - Water

8 221 236

-

Vote 12 - Housing

-

-

Vote 13 - Road Transport

-

-

Vote 14 - Sports and Recreation

-

-

#### Total

94 153 104

145 678 652

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

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### 19 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

The movements per grant can be summarised as follows:

#### 19.01 Equitable Share

Opening Unspent Balance	-	-
Grants Received	49 200 761	45 080 030
Transferred to Revenue - Operating	(49 200 761)	(45 080 030)
Transferred to Revenue - Capital	-	-
Other Movements	-	-
Closing Unspent Balance	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

#### 19.02 Municipal Infrastructure Grant (MIG)

Opening Unspent Balance	-	2 286 030
Grants Received	15 667 000	7 347 970
Transferred to Revenue - Operating	(2 688 593)	(1 907 568)
Transferred to Revenue - Capital	(13 929 311)	(7 726 432)
Other Movements	950 904	-
Closing Unspent Balance	-	-

The MIG grant is a conditional grant used to upgrade infrastructure in the municipal area with the main focus on previously disadvantaged areas.

#### 19.03 Financial Management Grant (FMG)

Opening Unspent Balance	-	-
Grants Received	2 085 000	1 620 000
Transferred to Revenue - Operating	(2 085 000)	(1 620 000)
Transferred to Revenue - Capital	-	-
Other Movements	-	-
Closing Unspent Balance	-	-

The Financial Management Grant is a conditional grant to assist municipalities in the implementation of financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The grant also utilised to cover expenditure relating to the Financial Management Internship

#### 19.04 Integrated National Electrification Programme (INEP)

Opening Unspent Balance	-	-
Grants Received	9 642 000	8 000 000
Transferred to Revenue - Operating	(1 257 519)	(1 043 478)
Transferred to Revenue - Capital	(8 383 462)	(6 956 522)
Other Movements	-	-
Closing Unspent Balance	1 019	-

The INEP grant is a conditional grant to provide capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings and the installation of bulk infrastructure.

#### 19.05 Expanded Public Works Program (EPWP)

Opening Unspent Balance	-	-
Grants Received	1 954 000	1 819 000
Transferred to Revenue - Operating	(1 954 000)	(1 819 000)
Transferred to Revenue - Capital	-	-
Other Movements	-	-
Closing Unspent Balance	-	-

The EPWP grant is a conditional grant to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP guidelines.

# CEDERBERG LOCAL MUNICIPALITY

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### 19 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

#### 19.06 Water Service Infrastructure Grant (WSIG)

Opening Unspent Balance	1 254 762	7 936 248
Grants Received	28 745 238	-
Transferred to Revenue - Operating	(526 004)	(870 194)
Transferred to Revenue - Capital	(3 532 320)	(5 811 293)
Other Movements	-	-
Closing Unspent Balance	<b>25 941 676</b>	<b>1 254 762</b>

This grant is utilised for an array of water infrastructure which includes but is not limited to reservoirs, boreholes and oxidation ponds.

#### 19.07 Municipal Disaster Relief Grant (Drought Relief)

Opening Unspent Balance	-	4 899 040
Grants received	-	-
Transferred to Revenue - Operating	-	(639 005)
Transferred to Revenue - Capital	-	(4 260 035)
Other Movements	-	-
Closing Unspent Balance	-	-

The purpose of this grant is to fund emergency drought relief.

#### 19.08 Municipal Disaster Relief Grant (COVID-19)

Opening Unspent Balance	-	-
Grants received	209 000	-
Transferred to Revenue - Operating	(132 469)	-
Transferred to Revenue - Capital	-	-
Other Movements	-	-
Closing Unspent Balance	<b>76 531</b>	-

This grant was utilised for the purchase of personal protective equipment in the fight against the COVID-19 pandemic.

#### 19.09 Human Settlement Development Grant

Opening Unspent Balance	-	-
Grants Received	-	44 566 053
Transferred to Revenue - Operating	-	(314 786)
Transferred to Revenue - Capital	-	(44 251 267)
Other Movements	-	-
Closing Unspent Balance	-	-

Housing grants was utilised for the development of erven and installation of infrastructure.

#### 19.10 Library Services MRF

Opening Unspent Balance	-	66 451
Grants Received	4 599 000	4 400 000
Transferred to Revenue - Operating	(4 594 432)	(4 446 451)
Transferred to Revenue - Capital	-	(20 000)
Other Movements	-	-
Closing Unspent Balance	<b>4 568</b>	-

The Library Services (Municipal Replacement Fund) Grant is used to pay the salaries of library staff.



# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

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<b>19</b>	<b>GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)</b>		
<b>19.11</b>	<b>CDW Support</b>		
	Opening Unspent Balance	8 889	88 141
	Grants Received	325 111	-
	Transferred to Revenue - Operating	(328 824)	(79 252)
	Transferred to Revenue - Capital	-	-
	Other Movements	-	-
	Closing Unspent Balance	<b>5 176</b>	<b>8 889</b>
	This grant is used to provide financial assistance to municipalities to cover the operational and capital costs pertaining to the line functions of the community development workers including the supervisors and regional coordinators.		
<b>19.12</b>	<b>Housing Consumer Education</b>		
	Opening Unspent Balance	-	2 247
	Grants Received	-	(2 247)
	Transferred to Revenue - Operating	-	-
	Transferred to Revenue - Capital	-	-
	Other Movements	-	-
	Closing Unspent Balance	-	-
	This grant is used to inform the public of the importance paying their consumer accounts for services rendered by the Municipality.		
<b>19.13</b>	<b>Municipal Drought Support Grant</b>		
	Opening Unspent Balance	268 788	5 398 259
	Grants Received	3 500 000	-
	Transferred to Revenue - Operating	(424 045)	(1 036 813)
	Transferred to Revenue - Capital	(3 239 257)	(4 092 657)
	Other Movements	-	-
	Closing Unspent Balance	<b>105 486</b>	<b>268 788</b>
	This grant is utilised for the completion of the desalination plant in Lambert's Bay.		
<b>19.14</b>	<b>Local Government Graduate Internship Grant</b>		
	Opening Unspent Balance	92 888	60 401
	Grants Received	80 000	72 000
	Transferred to Revenue - Operating	(16 029)	(39 513)
	Transferred to Revenue - Capital	-	-
	Other Movements	-	-
	Closing Unspent Balance	<b>156 859</b>	<b>92 888</b>
	This grant is used to provide financial assistance to municipalities in support of capacity building for the future by means of internship programme.		
<b>19.15</b>	<b>Financial Management Support Grant</b>		
	Opening Unspent Balance	44 584	222 630
	Grants Received	580 000	788 072
	Transferred to Revenue - Operating	(499 611)	(679 162)
	Transferred to Revenue - Capital	-	(286 956)
	Other Movements	-	-
	Closing Unspent Balance	<b>124 973</b>	<b>44 584</b>
	The Financial Management Grant is paid by Provincial Treasury to municipalities to help implement revenue enhancement.		

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

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### 19 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

#### 19.16 Municipal Capacity Building Grant

Opening Unspent Balance	267 836	-
Grants Received	644 500	360 000
Transferred to Revenue - Operating	(34 055)	(92 164)
Transferred to Revenue - Capital	-	-
Other Movements	-	-
Closing Unspent Balance	<b>878 281</b>	<b>267 836</b>

This grant is utilised as a capacity initiative for graduates to enter the workforce in local government.

#### 19.17 Acceleration of Housing Delivery

Opening Unspent Balance	698 058	12 420 736
Grants Received	-	-
Transferred to Revenue - Operating	(91 051)	(1 529 045)
Transferred to Revenue - Capital	(607 007)	(10 193 633)
Other Movements	-	-
Closing Unspent Balance	<b>-</b>	<b>698 058</b>

Housing delivery grant was utilised for the construction of infrastructure for housing projects.

#### 19.18 Thusong Service Centre Grant

Opening Unspent Balance	8 898	79 900
Grants Received	200 000	110 000
Transferred to Revenue - Operating	(29 355)	(181 002)
Transferred to Revenue - Capital	-	-
Other Movements	-	-
Closing Unspent Balance	<b>179 543</b>	<b>8 898</b>

This grant is used to provide financial assistance to municipalities, ensuring the financial sustainability of the Thusong Service Centres.

#### 19.19 Municipal Disaster Grant (Drought Relief)

Opening Unspent Balance	47 577	-
Grants Received	(47 577)	680 000
Transferred to Revenue - Operating	-	(632 423)
Transferred to Revenue - Capital	-	-
Other Movements	-	-
Closing Unspent Balance	<b>-</b>	<b>47 577</b>

This grant is utilised for drought relief financial assistance to municipalities to augment water supply, bulk infrastructure capacity and demand reduction in drought stricken municipalities.

#### 19.20 Road Maintenance (Proclaimed)

Opening Unspent Balance	-	-
Grants Received	-	69 972
Transferred to Revenue - Operating	-	(69 972)
Transferred to Revenue - Capital	-	-
Other Movements	-	-
Closing Unspent Balance	<b>-</b>	<b>-</b>

This grant is used to financially assist/subsidise municipalities with the maintenance/construction of proclaimed municipal main roads, where the municipality is the Road Authority (Section 50 of Ordinance 19 of 1976).

# CEDERBERG LOCAL MUNICIPALITY

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### 19 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

#### 19.21 Local Government Support Grants (COVID-19)

Opening Unspent Balance	-	-
Grants Received	550 000	-
Transferred to Revenue - Operating	(550 000)	-
Transferred to Revenue - Capital	-	-
Other Movements	-	-
Closing Unspent Balance	-	-

This grant is used to provide financial assistance to local municipalities to augment and support current humanitarian relief initiatives.

#### 19.22 West Coast District Municipality - COVID 19

Opening Unspent Balance	-	-
Grants Received	50 000	-
Transferred to Revenue - Operating	(50 000)	-
Transferred to Revenue - Capital	-	-
Other Movements	-	-
Closing Unspent Balance	-	-

This grant is used to provide financial assistance to local municipalities to augment and support current humanitarian relief initiatives.

#### 19.23 Total Grants

Opening Unspent Balance	2 692 281	33 460 083
Grants Received	117 984 033	114 910 850
Transferred to Revenue - Operating	(64 461 748)	(62 079 857)
Transferred to Revenue - Capital	(29 691 356)	(83 598 795)
Other Movements	950 904	-
Closing Unspent Balance	<b>27 474 114</b>	<b>2 692 281</b>

### 20 CONTRIBUTED ASSETS

Infrastructure	-	11 476 772
<b>Total</b>	<b>-</b>	<b>11 476 772</b>

The contributed assets for 2018/19 relates to infrastructure of the Cedar Mill Mall of which the Municipality took ownership.

### 21 FINES, PENALTIES AND FORFEITS

Traffic	12 730 278	20 789 767
Overdue Book Fines	11 966	16 227
Illegal Connections	23 322	16 183
Retentions	-	1 240 222
Unclaimed Money	439 902	183 051
<b>Total</b>	<b>13 205 468</b>	<b>22 245 450</b>

As previously reported		21 157 496
Correction of error restatement - note 37.1		1 087 954
Restated balance		<b>22 245 450</b>

In terms of the requirements of GRAP 23 and IGRAP 1, all fines issued during the year less any cancellations or reductions identified are recognised as revenue.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

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<b>22</b>	<b>ACTUARIAL GAINS / (LOSSES)</b>		
	Post Retirement Medical Benefits	5 869 633	8 693 932
	Long Service Awards	64 321	(788 022)
	<b>Total</b>	<b>5 933 954</b>	<b>7 905 910</b>
<b>23</b>	<b>SERVICE CHARGES</b>		
	Electricity	97 668 169	84 767 129
	Water	28 916 847	26 641 739
	Sanitation	12 684 070	13 012 496
	Refuse	10 455 264	9 212 845
	<b>Total Revenue</b>	<b>149 724 349</b>	<b>133 634 209</b>
	Less: Rebates	(4 961 418)	(4 746 709)
	Electricity	(64 265)	(67 574)
	Water	(896 080)	(894 976)
	Sanitation	(3 578 559)	(3 363 793)
	Refuse	(422 514)	(420 366)
	<b>Total</b>	<b>144 762 931</b>	<b>128 887 500</b>
Rebates can be defined as any income that the Municipality is entitled to levy, but in terms of Council's own policy opted not to collect it.			
<b>24</b>	<b>RENTAL OF FACILITIES AND EQUIPMENT</b>		
	Halls and Sportfields	119 443	168 549
	Camping and Entrance Fees	2 391 490	2 766 075
	Commonage	280 272	228 020
	Hawker Stands	79 956	111 512
	<b>Total</b>	<b>2 871 161</b>	<b>3 274 156</b>
<b>25</b>	<b>AGENCY SERVICES</b>		
	Drivers Licence Applications	144 530	263 167
	Drivers Licences Issued	255 283	313 433
	Duplicate Registration Certificates	35 484	52 236
	Keeping of Registration Number	10 831	13 250
	Learner Licence Applications	56 301	96 143
	Learner Licences Issued	20 323	24 638
	Professional Drivers Permit Applications	58 758	94 880
	Professional Drivers Permits Issued	27 962	35 309
	Roadworthy Certificate Applications	147 900	227 060
	Roadworthy Certificates Issued	31 941	43 119
	Temporary and special permits	22 963	29 142
	Vehicle Registration	1 923 685	2 140 288
	<b>Total</b>	<b>2 735 961</b>	<b>3 332 665</b>
The Municipality acts as an agent for the Department of Transport and Public Works and manages the issuing of vehicle licences for a commission. Refer to note 49.1 for additional disclosure in this regard.			
The Municipality earns revenue from applications for driver's and learner's licences, issuing of public driver permits, driver's and learner's licences and the issue of roadworthy certificates.			

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

<i>Figures in Rand</i>		2020	2019
<b>26</b>	<b>OTHER INCOME</b>		
	Application Fees for Land Usage	52 058	59 067
	Building Plan Approval	669 635	781 057
	Cemetery and Burial	107 337	89 521
	Clearance and Valuation Certificates	155 559	39 982
	Collection Charges	4 074	5 557
	Commission	42 928	46 129
	Landfill Sites - iGRAP 2 adjustments	382 977	-
	Development Charges	152 989	132 808
	Photocopies and Faxes	23 731	23 746
	Skills Development Levy Refund	184 896	184 453
	Sub-division and Consolidation Fees	41 166	38 015
	Tender Documents	124 970	101 911
	Sundry Income	18 427	24 232
	<b>Total</b>	<b>1 960 746</b>	<b>1 526 478</b>
	Sundry income represents sundry income such as sale of sundry items (wood, sand and stones) and fees for items not included under service charges		
	Landfill Sites - iGRAP2 adjustments relate to a decrease in the landfill site's rehabilitation provision of which the decrease is in excess of the carrying value of the related asset.		
<b>27</b>	<b>EMPLOYEE RELATED COSTS</b>		
	Basic Salaries and Wages	73 425 258	66 950 841
	Pension and UIF Contributions	11 730 761	10 595 845
	Medical Aid Contributions	4 133 738	3 711 094
	Overtime	4 268 245	3 790 621
	Motor Vehicle Allowance	5 489 666	4 685 060
	Cellphone Allowance	410 797	410 361
	Housing Allowance	505 492	638 774
	Other benefits and allowances	4 425 012	4 026 383
	Bargaining Council	39 861	37 549
	Group Life Insurance	1 368 414	1 312 201
	Scarcity Allowance	480 875	518 987
	Standby Allowance	2 535 861	2 157 646
	Contributions to Employee Benefits	10 428 096	8 996 583
	Bonuses	5 500 994	4 858 297
	Staff Leave	2 600 046	1 229 951
	Performance Bonus	100 074	409 070
	Long Service Awards	475 325	344 096
	Post Retirement Medical Benefits	1 751 658	2 155 169
	Workmens Compensation Fund	547 183	476 139
	<b>Total</b>	<b>115 364 247</b>	<b>104 281 701</b>
	<b>Remuneration of Management Personnel</b>		
	The Municipal Manager and Directors are appointed on a 5-year fixed contract.		
	<b>Municipal Manager - PL Volschenk (resigned January 2020)</b>		
	Annual Remuneration	554 741	935 134
	Performance Bonus / 13th Cheque	175 177	101 868
	Car Allowance	53 217	96 000
	Cellphone Allowance	19 957	36 000
	Rural Allowance	59 098	100 101
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	132 019	234 247
	<b>Total</b>	<b>994 208</b>	<b>1 503 351</b>

# CEDERBERG LOCAL MUNICIPALITY

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### 27 EMPLOYEE RELATED COSTS (CONTINUED)

#### Director: Community Services - R Bent (resigned June 2020)

Annual Remuneration	665 721	616 157
Performance Bonus / 13th Cheque	131 805	96 461
Car Allowance	180 000	180 000
Cellphone Allowance	18 000	18 000
Rural Allowance	80 212	75 317
Contributions to UIF, Medical, Pension Funds and Bargaining Council	158 831	156 147
<b>Total</b>	<b>1 234 569</b>	<b>1 142 083</b>

#### Director: Finance - E Alfred (resigned January 2020)

Annual Remuneration	468 670	748 793
Performance Bonus / 13th Cheque	145 812	136 273
Car Allowance	70 000	120 000
Cellphone Allowance	10 500	18 000
Rural Allowance	51 763	83 321
Contributions to UIF, Medical, Pension Funds and Bargaining Council	109 628	185 262
<b>Total</b>	<b>856 373</b>	<b>1 291 650</b>

#### Director: Finance - G Seas (appointed June 2020)

Annual Remuneration	55 273	-
Car Allowance	12 500	-
Cellphone Allowance	1 500	-
Rural Allowance	33 895	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	158	-
<b>Total</b>	<b>103 326</b>	<b>-</b>

### 28 REMUNERATION OF COUNCILLORS

Executive Mayor	894 836	879 646
Deputy Executive Mayor	672 427	648 108
Speaker	525 303	715 536
Mayoral Committee Members	1 328 729	1 428 013
All Other Councillors	2 148 568	1 720 988
<b>Total</b>	<b>5 569 861</b>	<b>5 392 291</b>

#### The positions of Executive Mayor, Deputy Mayor and Speaker were filled as follow:

Executive Mayor	- NS Qunta (16 October 2019 to date)
	- WJ Farmer (20 September 2018 to 15 October 2019)
	- J Barnard (20 August 2016 to 19 September 2018)
Deputy Mayor	- L Scheepers (16 October 2019 to date)
	- FN Sokuyeka (30 January 2019 to 15 October 2019)
	- BF Zass (20 August 2016 to 29 January 2019)
Speaker	- P Straus (16 October 2019 to date)
	- Vacant (1 July 2019 - 15 October 2019)
	- BF Zass (30 January 2019 to 30 June 2019)
	- J Meyer (20 September 2018 to 29 January 2019)
	- WJ Farmer (20 August 2016 to 19 September 2018)

#### In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee member serve in a full-time capacity. They are provided with secretarial support and an office each at the cost of the Council.

Councillors may utilize municipal transportation when engaged in official duties

# CEDERBERG LOCAL MUNICIPALITY

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<i>Figures in Rand</i>		2020	2019
<b>29</b>	<b>DEBT IMPAIRMENT</b>		
	Receivables from Exchange Transactions	32 756 028	16 608 398
	Receivables from Non-Exchange Transactions	16 436 455	21 441 164
	<b>Total Debt Impairment</b>	<b>49 192 483</b>	<b>38 049 562</b>
	Movement in VAT included in debt impairment	(3 287 123)	337 753
	<b>Total</b>	<b>45 905 361</b>	<b>38 387 315</b>
	As previously reported		37 511 790
	Correction of error restatement - note 37.1		875 525
	Restated balance		<b>38 387 315</b>
<b>30</b>	<b>DEPRECIATION AND AMORTISATION</b>		
	Investment Property	52 250	52 249
	Property, Plant and Equipment	18 606 447	16 369 321
	Intangible Assets	223 574	213 569
	<b>Total</b>	<b>18 882 270</b>	<b>16 635 139</b>
	As previously reported		16 251 295
	Correction of error restatement - note 37.2		211 769
	Correction of error restatement - note 37.3		172 075
	Restated balance		<b>16 635 139</b>
<b>31</b>	<b>FINANCE CHARGES</b>		
	<b>Cash</b>	3 781 092	2 360 413
	Long-term Liabilities	2 316 022	2 271 853
	Bank Overdraft	173 467	88 560
	Overdue Accounts	1 291 604	-
	<b>Non-cash</b>	6 005 042	6 095 132
	Post Retirement Medical Benefits	2 437 221	2 921 593
	Long Service Awards	371 428	298 381
	Rehabilitation of Landfill Sites	3 196 393	2 875 158
	<b>Total</b>	<b>9 786 135</b>	<b>8 455 545</b>
	Finance charges on overdue accounts mainly relate to interest which was charged by Eskom on overdue accounts.		
<b>32</b>	<b>BULK PURCHASES</b>		
	Electricity	83 384 276	70 864 840
	Water	800 477	945 262
	<b>Total</b>	<b>84 184 752</b>	<b>71 810 102</b>
	Bulk Purchases are the cost of commodities not generated by the Municipality, which the Municipality distributes in the municipal area for re-sale to consumers. Electricity is purchased from Eskom and water is purchased from a variety of suppliers including the Department of Water and Sanitation and a number of private suppliers.		

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<i>Figures in Rand</i>		2020	2019
<b>33</b>	<b>CONTRACTED SERVICES</b>		
	Accounting and Auditing	1 286 927	2 248 091
	Engineering Services	62 539	111 159
	Fire Services - West Coast District Municipality	2 544 528	-
	Human Resources	428 200	382 554
	Laboratory Services	236 656	186 124
	Legal Cost	1 154 082	363 952
	Maintenance Services	6 693 917	7 847 526
	Project Management (mSCOA Implementation)	-	571 535
	Safeguard and Security	2 722 774	2 109 877
	Traffic Fines Management	1 498 206	1 223 980
	Valuers and Assessors	330 934	169 664
	Other Contracted Services	1 247 126	1 481 569
	<b>Total</b>	<b>18 205 886</b>	<b>16 696 031</b>
	As previously reported		38 301 687
	Change in accounting policy restatement - note 38.1		(21 605 656)
	Restated balance		16 696 031
<b>34</b>	<b>TRANSFERS AND GRANTS</b>		
	Bursaries	183 871	306 928
	Festivals	15 000	340 000
	Sport Councils	63 320	116 716
	Tourism Board	-	300 000
	Schools	-	2 500
	ATKV	20 000	-
	Social Relief	862 087	-
	<b>Total</b>	<b>1 144 278</b>	<b>1 066 144</b>
	Social Relief mainly relates to relieve provided to the community in the fight against COVID-19 which include food parcels and the supply personal protective equipment (PPE).		
<b>35</b>	<b>OTHER EXPENDITURE</b>		
	Advertising, Publicity and Marketing	229 180	212 586
	Bank Charges	787 889	746 806
	Chemicals	300 792	338 338
	Cleaning Materials	275 014	282 755
	Commission - Prepaid Electricity	1 494 524	1 636 571
	Computer Services	1 906 960	922 259
	Drivers Licences and Permits	171 120	229 475
	External Audit Fees	3 559 274	3 663 929
	Fuel and Oil	3 136 804	3 244 823
	Hire Charges	1 545 982	1 473 903
	Insurance	936 753	839 663
	Maintenance Materials and Tools	3 197 709	5 085 728
	Motor Vehicle Licence and Registrations	80 599	158 934
	Printing and Stationery	1 144 518	1 163 634
	Professional Bodies, Membership and Subscription	1 253 356	1 108 845
	Remuneration of Ward Committees	88 000	179 500
	Skills Development Fund Levy	800 798	887 928
	Telephone	644 174	1 854 082
	Training	445 259	607 779
	Travel and Subsistence	594 873	1 397 504
	Uniform and Protective Clothing	894 846	728 878
	Other Expenditure	675 019	890 030
	<b>Total</b>	<b>24 163 445</b>	<b>27 653 950</b>
	As previously reported		28 260 756
	Correction of error restatement - note 37.3		37 500
	Change in accounting policy restatement - note 38.1		(644 306)
	Restated balance		27 653 950



# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

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	2020	2019
<b>36 LOSS ON DISPOSAL OF NON-MONETARY ASSETS</b>		
Proceeds	66 739	702 082
Less: Carrying value of Investment Property disposed	(17 575)	(77 500)
Less: Carrying value of Property, Plant and Equipment disposed	(190 082)	(1 089 793)
Less: Carrying value of Intangible Assets disposed	(298)	(2 741)
<b>Total</b>	<b>(141 216)</b>	<b>(467 952)</b>
As previously reported		(480 287)
Correction of error restatement - note 37.2		12 335
Restated balance		(467 952)
<b>37 PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR</b>		
<b>37.1 Receivables from Exchange and Non-Exchange Transactions</b>		
Corrections made to Receivables include the following:		
- Traffic fines was understated by R1 087 954 in the prior year due to a calculation error. Accordingly, Debt Impairment relating to traffic fines was also understated by R875 525.		
The net effect of the above-mentioned errors were as follow:		
- Receivables from Non-Exchange Transactions - note 4	Understated	212 429
- Fines, Penalties and Forfeits - note 21	Understated	1 087 954
- Debt Impairment - note 29	Understated	875 525
<b>37.2 Property, Plant and Equipment</b>		
Corrections made to Property, Plant and Equipment include the following:		
- Movable assets previously not included in the asset register were identified during the current year's asset verification with a carrying value of R53 820.		
- During the current year's asset verification, it was noted that movable assets with a carrying value amounting to R20 333 were disposed in prior years due to the fact that it could not be physically verified. In the current year, the said assets were verified and accordingly brought back onto the asset register.		
- Included in infrastructure work in progress was a project amounting to R2 631 290 which was already completed in the 2015/16 financial year. Accordingly, depreciation amounting to R603 572 was not recognised.		
- Included in community assets work in progress was a project amounting to R1 386 809 which was already completed in the 2017/18 financial year. Accordingly, depreciation amounting to R29 423 was not recognised.		
- A variance between the infrastructure work in progress register and general ledger was noted amounting to R19 482 which was corrected in the current year.		
- Retention amounting to R672 921 was not recognised as on 30 June 2019. As this retention relates to a project which is grant funded, the grant revenue was accordingly also not recognised, although the conditions were met.		
The net effect of the above-mentioned errors were as follow:		
- Property, Plant and Equipment - note 9	Understated	126 206
- Payables from exchange transactions - note 13	Understated	672 922
- Unspent Conditional Government Grants - note 14	Overstated	(672 922)
- Government Grants And Subsidies - note 19	Understated	672 922
- Depreciation and Amortisation - note 30	Understated	211 769
- Loss on disposal of Non-Monetary Assets - note 36	Overstated	(12 335)
- Accumulated Surplus - note 37.4	Overstated	(347 282)

# CEDERBERG LOCAL MUNICIPALITY

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### 37 PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR (CONTINUED)

#### 37.3 Intangible Assets

Corrections made to Intangible Assets include the following:

- Computer Equipment (Property, Plant and Equipment) amounting to R52 635 were incorrectly recorded as Intangible Assets.
- Capital expenditure pertaining to Intangible Assets amounting to R506 348 were incorrectly recognised as operating expenditure, while operating expenditure amounting to R37 500 were incorrectly recognised as capital expenditure.
- Included in work in progress was a project amounting to R2 631 290 which was already completed in previous financial years. Accordingly, depreciation amounting to R277 555 was not recognised.

The net effect of the above-mentioned errors were as follow:

- Property, Plant and Equipment - note 9	Understated	52 635
- Intangible Assets - note 10	Understated	138 658
- Depreciation and Amortisation - note 30	Understated	172 075
- Other Expenditure - note 35	Understated	37 500
- Accumulated Surplus - note 37.4	Understated	400 868

#### 37.4 Accumulated Surplus

Property, Plant and Equipment - note 37.2	Overstated	(347 282)
Intangible Assets - note 37.3	Understated	400 868
<b>Total</b>		<b>53 585</b>

### 38 PRIOR PERIOD ADJUSTMENTS - CHANGE IN ACCOUNTING POLICY

#### 38.1 National Housing Programme Guideline

The Accounting Standards Board (ASB) issued the National Housing Programme Guideline. The said Guideline serves as an extension of GRAP 109 (Accounting by Principles and Agents) which became effective in the current financial year. The Guideline prescribes the treatment of funds received from the Department of Human Settlements in terms of the National Housing Programme.

In the prior year all funds received from the Department of Human Settlements and expenditure incurred were treated as Government Grants and Subsidies and the related expenditure was included in the Statement of Financial Performance.

In terms of the Guideline, the Municipality has assessed that a principle-agent arrangement exist between itself and the Department of Human Settlements. The Municipality assessed that it acts as project manager for monitoring the construction of housing top structures and as the beneficiary manager to facilitate the deed transfers to qualifying beneficiaries.

Accordingly, the funds received from the Department of Human Settlements to perform the above-mentioned functions will not be treated as Government Grants and Subsidies. All funds received and expenditure incurred on behalf of the Department of Human Settlements will be allocated to control account and will not reflect in the Statement of Financial Performance.

The net effect of the above-mentioned errors were as follow:

- Payables from exchange transactions - note 13	Understated	975 724
- Unspent Conditional Government Grants - note 14	Overstated	(975 724)
- Government Grants And Subsidies - note 19	Overstated	(22 249 962)
- Contracted Services - note 33	Overstated	(21 605 656)
- Other Expenditure - note 35	Overstated	(644 306)

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

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### 39 NET CASH FROM OPERATING ACTIVITIES

	2020	2019
Net Surplus/(Deficit) for the year	(6 708 631)	80 554 952
Adjusted for:		
Non-cash revenue included in Net Surplus	(6 321 908)	(19 378 878)
Contributed Assets	-	(11 476 772)
Actuarial Gains	(5 933 954)	(7 905 910)
Rental of Facilities and Equipment - decrease in operating lease asset	(4 977)	3 804
Other Income - Decrease in landfill site rehabilitation provision	(382 977)	-
Non-cash expenditure included in Net Surplus	81 363 572	70 584 094
Employee Related Costs - Contributions towards	10 428 096	8 996 583
Post Retirement Medical Benefits	1 751 658	2 155 169
Long Service Awards	475 325	344 096
Bonuses	5 500 994	4 858 297
Staff Leave	2 600 046	1 229 951
Performance Bonuses	100 074	409 070
Debt Impairment	45 905 361	38 387 315
Depreciation and Amortisation	18 882 270	16 635 139
Finance Charges	6 005 042	6 095 132
Post Retirement Medical Benefits	2 437 221	2 921 593
Long Service Awards	371 428	298 381
Provision for Rehabilitation of Landfill-sites	3 196 393	2 875 158
Other Expenditure - decrease in operating lease liability	1 587	1 973
Loss on disposal of Non-Monetary Assets	141 216	467 952
Cash expenditure not included in Net Surplus	(7 160 293)	(6 608 666)
Post Retirement Medical Benefits	(823 390)	(800 179)
Long Service Awards	(257 285)	(447 865)
Bonuses	(5 117 303)	(4 467 720)
Staff Leave	(509 521)	(558 299)
Performance Bonus	(452 794)	(334 603)
Operating Surplus before changes in working capital	61 172 740	125 151 502
Movement in working capital	(13 828 442)	(42 107 534)
Receivables from Exchange Transactions	(26 574 316)	(19 402 179)
Receivables from Non-Exchange Transactions	(14 461 026)	(21 782 087)
Inventory	163 290	(98 900)
Payables from exchange transactions	1 974 485	27 400 489
Unspent Conditional Government Grants	24 781 832	(30 767 803)
Taxes	287 293	2 542 946
<b>Cash Flow from Operating Activities</b>	<b>47 344 297</b>	<b>83 043 968</b>

### 40 CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents comprise out of the following:

Primary Bank Account	8 913 223	3 450 353
Call and Notice Deposits	7 766 727	3 735 372
Cash Floats	4 940	1 672
<b>Total</b>	<b>16 684 890</b>	<b>7 187 397</b>

Refer to note 2 for more details relating to cash and cash equivalents.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

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### 41 BUDGET COMPARISONS

#### 41.1 Original vs Final Budget

##### Statement of Financial Position

Items in the State of Financial Position were adjusted to take into account adjustments made to the operating and capital budget and also to align balances with the actual audit outcomes of 2018/19.

##### Statement of Financial Performance - Revenue

Service charges were adjusted in accordance with the audited actuals of 2018/19.

Transfers Recognised (Operational) was adjusted for roll over application approvals and / or additional funding received of which the following were the most significant:

- PGWC Financial Management Capacity Building Grant - R267 836
- CDW Support - R334 000
- Human Settlement Development Grant - R5 252 295
- Municipal Drought Support - R491 581
- Municipal Capacity Building Grant - R265 000
- Financial Management Support Grant - R474 584
- Emergency and Disaster - COVID-19 - R759 000

Transfers Recognised (Capital) was adjusted for roll over application approvals and / or additional funding received of which the following were the most significant:

- Human Settlements Development Grant - R672 922
- Municipal Drought Support - R3 277 207
- Acceleration of housing deliveries - R607 007

##### Statement of Financial Performance - Expenditure

Debt Impairment was increased to take into account the negative effect of COVID-19 and the national lockdown on the collection rate of debtors.

Depreciation and Asset Impairment was decreased in line with the audit outcome of 2018/19.

Bulk Purchases was increased due to a higher demand than initially anticipated.

Contracted Services was increased to take into account grant expenditure relating the Transfers Recognised (Operational).

##### Cash Flow Statement

Net Cash Flow from Operating Activities had a net decrease due to a decrease in Service Charges and increase in Bulk Purchases.

Net Cash Flow from Investing Activities was increased to take into account additional capital expenditure resulting from grant funding.

Net Cash Flow from Financing Activities increased due to a decision not to take up loan of R3 000 000 initially budgeted.

#### 41.2 Actual Amounts vs Final Budget

##### Statement of Financial Position

Current assets were more than budgeted for due to several grant funded projects which were not concluded at year-end, resulting in a higher bank balance.

Non-current assets were less than budget as not all capital projects were concluded in the current year resulting that the capital budget was underspent by approximately R21 million.

Current liabilities were more than budgeted for due to several grant funded projects which were not concluded at year-end, resulting in an unspent conditional grant balance which was not budgeted for. Also higher outstanding creditors than anticipated.

Non-Current liabilities were less than budget due to a lower increase in the landfill site provision than anticipated.

##### Statement of Financial Performance - Revenue

Transfers recognised (operational) were less than budgeted due to grant funded projects which were not concluded at year-end.

Own Revenue were less than budgeted due to less traffic fines issued than anticipated as a result of the national lockdown.

Transfers recognised - capital were less than budget due to the Water Service Infrastructure Grant (WSIG) project of which approximately R22.5 million was not spent during the year.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

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### 41 BUDGET COMPARISONS (CONTINUED)

#### Statement of Financial Performance - Expenditure

Other Material and Other Expenditure should be read in conjunction. Both these items were less than budget due to the underspending of the budget as a result of overall cash flow constraints being experienced.

Contracted Services were less than budget due to funding from the Department of Human Settlements being treated differently for budget and GRAP purposes. For budget purposes it is included as expenditure, but for GRAP purposes it is considered to be an principle-agent arrangement.

Transfers and Grants was less than budget as the fire services rendered by the West Coast District Municipality was incorrectly budgeted as Transfers and Grants rather than Contracted Services.

#### Cash Flow Statement

Net Cash Flow from Operating Activities were less than budget due to a poorer collection rate on outstanding debtors than anticipated as well as less traffic fines issued which ultimately resulted in less traffic fines collected than anticipated.

Net Cash Flow from Investing Activities was less than budgeted for as not all projects were implemented and concluded.

### 42 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

#### 42.1 Unauthorised Expenditure

Unauthorised expenditure can be reconciled as follow:

Opening balance	1 461 115	637 243
Unauthorised expenditure current year - operating	4 749 109	-
Unauthorised expenditure current year - capital	1 395 830	1 461 115
Approved by Council	(1 461 115)	(637 243)
<b>Unauthorised expenditure awaiting further action</b>	<b>6 144 940</b>	<b>1 461 115</b>

Unauthorised expenditure only relates to expenditure in excess of approved budget votes. No disciplinary steps or criminal proceedings were instituted as a result of unauthorised expenditure incurred. Refer below for votes of which the expenditure was in excess of the approved budget:

	2020 (Actual) R	2020 (Final Budget) R	2020 (Unauthorised) R	2019 (Unauthorised) R
<b>Unauthorised expenditure - Operating</b>				
Vote 1 - Executive and Council	8 612 247	8 860 796	-	-
Vote 2 - Office of Municipal Manager	8 788 446	9 802 101	-	-
Vote 3 - Financial Administrative Services	55 400 675	52 041 116	3 359 559	-
Vote 4 - Community Development Services	14 268 512	14 457 827	-	-
Vote 5 - Corporate and Strategic Services	18 512 460	19 895 738	-	-
Vote 6 - Planning and Development Services	6 402 156	6 551 496	-	-
Vote 7 - Public Safety	25 114 393	33 774 931	-	-
Vote 8 - Electricity	99 149 390	99 991 629	-	-
Vote 9 - Waste Management	16 886 586	17 069 206	-	-
Vote 10 - Waste Water Management	13 726 113	12 336 562	1 389 551	-
Vote 11 - Water	30 070 969	32 915 719	-	-
Vote 12 - Housing	2 061 522	25 298 342	-	-
Vote 13 - Road Transport	12 323 565	12 993 177	-	-
Vote 14 - Sports and Recreation	12 030 420	12 470 662	-	-
<b>Total</b>	<b>323 347 452</b>	<b>358 459 302</b>	<b>4 749 109</b>	<b>-</b>

The overspending incurred is attributable to the following categories:

#### Non-cash

- Debt Impairment (lower collection rate than anticipated)	4 749 109	-
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# CEDERBERG LOCAL MUNICIPALITY

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### 42 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

	2020 (Actual) R	2020 (Final Budget) R	2020 (Unauthorised) R	2019 (Unauthorised) R
<b>Unauthorised expenditure - Capital</b>				
Vote 1 - Executive and Council	-	650	-	-
Vote 2 - Office of Municipal Manager	-	-	-	-
Vote 3 - Financial Administrative Services	52 421	69 485	-	-
Vote 4 - Community Development Services	59 869	59 870	-	-
Vote 5 - Corporate and Strategic Services	829 287	111 588	717 699	1 461 115
Vote 6 - Planning and Development Services	9 539 289	8 861 977	677 312	-
Vote 7 - Public Safety	989 315	1 145 165	-	-
Vote 8 - Electricity	11 361 172	11 556 253	-	-
Vote 9 - Waste Management	58 146	58 698	-	-
Vote 10 - Waste Water Management	5 296 767	12 204 669	-	-
Vote 11 - Water	5 974 199	21 423 865	-	-
Vote 12 - Housing	0	672 922	-	-
Vote 13 - Road Transport	107 839	125 812	-	-
Vote 14 - Sports and Recreation	315 531	314 712	819	-
<b>Total</b>	<b>34 583 834</b>	<b>56 605 666</b>	<b>1 395 830</b>	<b>1 461 115</b>

The overspending incurred is attributable to the following categories:

#### Non-cash

- Lease of assets considered a finance lease for which no capital budget was provided	717 699	1 461 115
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#### Cash

- Overspending on MIG project which will be refunded by MIG in the next financial year	677 312	-
- Minor overspending on own internal funded projects	819	-
	<b>1 395 830</b>	<b>1 461 115</b>

### 42.2 Irregular Expenditure

Irregular expenditure can be reconciled as follow:

Opening balance	71 359 748	51 880 192
Irregular expenditure incurred in the current year	6 147 809	70 678 599
Approved by Council	(71 359 748)	(51 199 043)
<b>Irregular expenditure awaiting further action</b>	<b>6 147 809</b>	<b>71 359 748</b>

Details of irregular expenditure incurred in the current year

(a) Procurement process not followed with regards to a supplier appointed by Council in 2011	4 709 186	69 960 872
(b) Services rendered without an order	-	22 403
(c) Incorrect interpretation and application of SCM regulation 32	1 438 623	695 324
	<b>6 147 809</b>	<b>70 678 599</b>

Details of irregular expenditure awaiting further action:

(a) Procurement process not followed with regards to a supplier appointed by Council in 2011	4 709 186	69 960 872
(b) Services rendered without an order	-	-
(c) Incorrect interpretation and application of SCM regulation 32	1 438 623	1 398 876
	<b>6 147 809</b>	<b>71 359 748</b>

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### 42 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

Incidents/cases identified in the current year include:

(a) Procurement process not followed with regards to a supplier appointed by Council in 2011	1	1
(b) Services rendered without an order	-	1
(c) Incorrect interpretation and application of SCM regulation 32	2	2

Amount recoverable

(a) Procurement process not followed with regards to a supplier appointed by Council in 2011	-	-
(b) Services rendered without an order	-	-
(c) Incorrect interpretation and application of SCM regulation 32	-	-

No disciplinary steps or criminal proceedings were instituted as a result of irregular expenditure incurred.

### 42.3 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure can be reconciled as follow:

Opening balance	4 770	378 847
Fruitless and wasteful expenditure incurred	1 291 601	4 770
Fruitless and wasteful expenditure recovered	-	-
Approved by Council	(4 770)	(378 847)
<b>Fruitless and wasteful expenditure awaiting further action</b>	<b>1 291 601</b>	<b>4 770</b>

Details of fruitless and wasteful expenditure incurred

(a) Penalties on outstanding TV licences	-	4 770
(b) Interest levied on overdue accounts	9 997	-
(c) Interest levied by Eskom on overdue accounts	1 281 604	-
<b>Total</b>	<b>1 291 601</b>	<b>4 770</b>

Disciplinary steps or criminal proceedings undertaken on above-mentioned fruitless and wasteful expenditure incurred:

- (a) The matter will be table to MPAC for resolution.
- (b) The matter will be table to MPAC for resolution.
- (b) The Municipality is in the process of engaging with Eskom to pardon the interest.

### 43 MATERIAL LOSSES

#### 43.1 Water distribution losses

Kilo litres disinfected/purified/purchased	2 736 826	2 638 935
Kilo litres sold and free basic services	(2 433 258)	(2 366 886)
Kilo litres lost during distribution	303 568	272 049
Percentage lost during distribution	11.09%	10.31%

Normal pipe bursts and field leakages are responsible for water losses.

#### 43.2 Electricity distribution losses

Units purchased (Kwh)	62 821 363	62 240 508
Units sold, free basic services and standard friction losses	(58 299 851)	(59 608 564)
Units lost during distribution (Kwh)	4 521 512	2 631 944
Percentage lost during distribution	7.20%	4.23%

Electricity losses are due to electricity theft on pre-paid meters. Fines were issued for first time offenders.

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<i>Figures in Rand</i>		2020	2019
<b>44</b>	<b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>44.1</b>	<b>SALGA Contributions [MFMA 125 (1)(b)]</b>		
	Opening balance	151 190	-
	Expenditure incurred	1 155 237	1 063 110
	Payments	(151 190)	(911 920)
	<b>Outstanding balance</b>	<b>1 155 237</b>	<b>151 190</b>
<b>44.2</b>	<b>Audit Fees [MFMA 125 (1)(c)]</b>		
	Opening balance	304 756	-
	Expenditure incurred	4 093 166	4 213 518
	Audit Fees	3 559 274	3 663 929
	VAT	533 891	549 589
	Payments	(2 722 581)	(3 908 762)
	<b>Outstanding Balance</b>	<b>1 675 341</b>	<b>304 756</b>
<b>44.3</b>	<b>VAT [MFMA 125 (1)(c)]</b>		
	Opening balance	141 885	2 890 228
	Net amount claimed/(declared) during the year	(3 285 762)	144 765
	Net amount paid/(received) during the year	1 724 374	(2 893 108)
	<b>Outstanding Balance Receivable/(Payable)</b>	<b>(1 419 503)</b>	<b>141 885</b>
	VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors. All VAT returns have been submitted by the due date throughout the year.		
<b>44.4</b>	<b>PAYE, SDL and UIF [MFMA 125 (1)(c)]</b>		
	Opening balance	-	1 026 074
	Payroll deductions and Council Contributions during the year	16 854 744	14 851 741
	Payments	(15 536 662)	(15 877 815)
	<b>Outstanding Balance</b>	<b>1 318 081</b>	<b>-</b>
<b>44.5</b>	<b>Pension and Medical Aid Contributions [MFMA 125 (1)(c)]</b>		
	Opening balance	-	-
	Payroll deductions and Council Contributions during the year	26 203 073	23 353 291
	Payments made to pension and medical fund	(26 203 073)	(23 353 291)
	<b>Outstanding Balance</b>	<b>-</b>	<b>-</b>
<b>44.6</b>	<b>Councillors Arrear Accounts [MFMA 124 (1)(b)]</b>		
	The following Councillors had arrear accounts for more than 90 days as at 30 June:		
	FN Sokuyeka	-	2 353
	PJ Strauss	7 657	-
	<b>Total</b>	<b>7 657</b>	<b>2 353</b>



# CEDERBERG LOCAL MUNICIPALITY

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### 44 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

#### 44.7 Deviations from Supply Chain Management Regulations

Deviations from Supply Chain Management Regulations were identified on the following categories:

Section 36(1)(a)(i) - Emergencies	1 782 601	1 259 408
Section 36(1)(a)(ii) - Single provider	98 139	64 887
Section 36(1)(a)(iii) - Specialised services	-	-
Section 36(1)(a)(iv) - Acquisition of animals for zoo's	-	-
Section 36(1)(a)(v) - Impractical so follow official procurement process	394 347	37 841
<b>Total</b>	<b>2 275 088</b>	<b>1 362 137</b>

Deviations from Supply Chain Management Regulations can be allocated as follow:

Office of the Municipal Manager	-	-
Financial Services	672 101	-
Corporate and Strategic Services	425 025	8 338
Community Development Services	661 130	553 211
Engineering and Planning Services	516 832	800 588
<b>Total</b>	<b>2 275 088</b>	<b>1 362 137</b>

All the deviations were ratified by the Municipal Manager and reported to Council.

#### 44.8 Other Non-Compliance [MFMA 125(2)(e)]

##### (a) Payments not made within 30 days

Money owed by the Municipality was not always paid within 30 days, as required by section 65(2)(e) of the Municipal Finance Management Act.

### 45 CAPITAL COMMITMENTS

Approved and contracted for

Infrastructure	31 743 712	26 441 050
Community Assets	2 072 567	2 348 160
Intangible Assets	-	466 932
<b>Total</b>	<b>33 816 278</b>	<b>29 256 142</b>

This expenditure will be financed from:

Government Grants	31 743 712	26 716 643
Own funding	2 072 567	2 539 499
<b>Total</b>	<b>33 816 278</b>	<b>29 256 142</b>

Capital Commitments are disclosed exclusive of Value Added Tax (VAT).

### 46 FINANCIAL RISK MANAGEMENT

The Municipality is potentially exposed to the following risks:

#### 46.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The following financial assets are exposed to credit risk:

Cash and Cash Equivalents	16 684 890	7 187 397
Receivables from exchange transactions	27 173 501	33 355 213
<b>Total</b>	<b>43 858 391</b>	<b>40 542 610</b>

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### 46 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Cash and Cash Equivalents

Deposits of the Municipality is only held at reputable banks that are listed on the JSE. The credit quality is regularly monitored through required SENS releases by the various banks. The risk pertaining to these deposits are considered to be very low.

There are no restrictions on the cash deposits held and no cash were pledged as security. No collateral is held for any cash and cash equivalents.

#### Receivables from Exchange Transactions

Receivables comprise of a large number of users, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Receivables are disclosed after taking into account the provision for impairment raised against each class of receivable.

Receivables are payable within 30 days. All receivables outstanding for more than 30 days are considered to be passed due.

Refer to note 3 for more information regarding the provision for impairment raised against each service type as well as receivables considered to be passed due.

Also refer to note 3 for more information regarding balances renegotiated beyond the original 30 days payment period initially granted.

No receivables were pledged as security for liabilities and no collateral is held from any consumers (other than consumer deposits).

The following service receivables are past due, but not impaired:

Electricity	5 596 429	5 183 425
Water	4 982 880	6 229 327
Refuse	1 805 234	2 268 994
Sewerage	2 104 701	3 394 236
Other	1 063 867	2 648 316
<b>Total</b>	<b>15 553 110</b>	<b>19 724 298</b>

Past due receivables are aged as follow:

1 to 3 months overdue	7 907 447	9 073 937
4 months to 1 year overdue	7 078 955	10 555 118
1 year overdue	566 708	95 243
	<b>15 553 110</b>	<b>19 724 298</b>

### 46.2 Currency risk (Market Risk)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The financial instruments of the Municipality is not directly exposed to any currency risk.

# CEDERBERG LOCAL MUNICIPALITY

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### 46 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 46.3 Interest rate risk (Market Risk)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The following balances are exposed to interest rate fluctuations:

Cash and Cash Equivalents (excluding cash on hand)	16 679 951	7 185 725
Long-term Liabilities (including current portion)	(17 198 555)	(20 581 279)
<b>Net balance exposed</b>	<b>(518 605)</b>	<b>(13 395 554)</b>

Potential effect of changes in interest rates on surplus and deficit for the year:

0.5% (2019 - 1%) increase in interest rates	(2 593)	(133 956)
0.5% (2019 - 0%) decrease in interest rates	2 593	-

A slowdown in Local and International economic activity (due to the COVID-19 pandemic) have prompted the Reserve Bank to cut interest rates during the financial year to support the economy. Management does not foresee significant interest rate movements the next 12 months.

#### 46.4 Liquidity risk

Liquidity risk is the risk encountered by the Municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is mitigated by approving cash funded budgets at all times to ensure commitments can be settled once due over the long term. The Municipality also monitors its cash balances on a daily basis to ensure cash resources are available to settle short term obligations.

The following balances are exposed to liquidity risk:

	Within 1 Year	Between 2 to 5 years	After 5 years	Total
<b>30 JUNE 2020</b>				
Annuity Loans	3 943 090	11 857 332	510 819	16 311 241
Finance Lease Liabilities	2 831 839	2 685 179	-	5 517 018
Payables from exchange transactions	78 279 157	-	-	78 279 157
<b>Total</b>	<b>85 054 085</b>	<b>14 542 511</b>	<b>510 819</b>	<b>100 107 415</b>
<b>30 JUNE 2019</b>				
Annuity Loans	3 943 089	13 814 847	2 496 396	20 254 332
Finance Lease Liabilities	2 506 417	4 413 129	-	6 919 546
Payables from exchange transactions	76 757 938	-	-	76 757 938
<b>Total</b>	<b>83 207 443</b>	<b>18 227 976</b>	<b>2 496 396</b>	<b>103 931 816</b>

#### 46.5 Other price risk (Market Risk)

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Municipality is not exposed to any other price risk.

# CEDERBERG LOCAL MUNICIPALITY

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### 47 FINANCIAL INSTRUMENTS

The Municipality recognised the following financial instruments at amortised cost:

#### Financial Assets

Cash and Cash Equivalents	16 684 890	7 187 397
Receivables from Exchange transactions	27 173 501	33 355 213
<b>Total</b>	<b>43 858 391</b>	<b>40 542 610</b>

#### Financial Liabilities

Current Portion of Long-term Liabilities	4 717 622	4 111 571
Payables from exchange transactions	78 279 157	76 757 938
Long-Term Liabilities	12 480 933	16 469 708
<b>Total</b>	<b>95 477 712</b>	<b>97 339 217</b>

### 48 STATUTORY RECEIVABLES

In accordance with the principles of GRAP 108, Statutory Receivables of the Municipality are classified as follows:

Receivables from Non-Exchange Transactions	9 634 863	12 708 728
Rates	8 554 817	10 963 412
Fines	1 080 045	1 745 316
Taxes	3 090 646	90 816
<b>Total</b>	<b>12 725 509</b>	<b>12 799 544</b>

The amounts above are disclosed after any provision for impairment has been taken into account.

Property Rates are levied in term of the Municipal Property Rates Act, 2004 (Act 6 of 2004). Refer to note 18 for property rates levied for the year and basis for interest and rate used on outstanding balances.

Traffic Fines are issued in terms of the Criminal Procedure Act, 1977. Refer to note 21 for traffic fines issued for the year. No interest is levied on outstanding traffic fines.

Taxes (Value Added Tax) are raised in terms of the Value Added Tax Act. Refer to note 5 for the respective components included in the balance. No interest is paid by the South African Revenue Service on outstanding VAT claims.

Refer to note 4 for determining the recoverability of property rates and traffic fines.

#### Property Rates

- Past due at the reporting date, and which have been impaired	23 646 148	17 230 285
- Past due that have not been impaired	6 036 235	8 206 370

# CEDERBERG LOCAL MUNICIPALITY

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### 49 PRINCIPLE-AGENT ARRANGEMENTS

The Municipality has assessed that the following significant principle-agent arrangements exists:

#### 49.1 Department of Transport and Public Works

The Municipality acts as an agent for the Department of Transport and Public Works and manages the issuing of vehicle licences for a commission.

The following transactions were undertaken as part of principle-agent arrangement:

Collections payable to the Department at beginning of year	755 523	498 528
Revenue collected from third parties	13 534 972	14 958 680
Commission earned on collections included in note 25	(1 995 105)	(2 235 042)
VAT on commission earned payable to the South African Revenue Services	(299 266)	(335 256)
Collections paid over to the Department	(11 395 806)	(12 131 387)
Collections payable to the Department at year-end	<b>600 319</b>	<b>755 523</b>

#### 49.2 Department of Human Settlements

The Municipality acts as an agent for the Department of Human Settlements for monitoring the construction of housing top structures and to facilitate the deed transfers to qualifying beneficiaries.

The following transactions were undertaken as part of principle-agent arrangement:

Balance at beginning of year	975 724	-
Payments received from the Department	3 230 407	23 225 686
Expenditure incurred on behalf of the Department	(3 129 489)	(22 249 962)
Balance at year-end	<b>1 076 642</b>	<b>975 724</b>

### 50 EVENTS AFTER REPORTING DATE

The national state of disaster has been extended until 15 November 2020. Refer to note 56 whereby the financial impact of the COVID-19 pandemic on the Municipality is disclosed. Other than the COVID-19 pandemic, the Municipality had no other significant events after reporting date.

### 51 IN-KIND DONATIONS AND ASSISTANCE

The Municipality did not receive any in-kind donations or assistance during the year under review.

### 52 PRIVATE PUBLIC PARTNERSHIPS (PPP's)

The Municipality did not enter into any PPP's in the current and prior year.

# CEDERBERG LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

<i>Figures in Rand</i>		2020	2019
<b>53</b>	<b>CONTINGENT LIABILITIES</b>		
	The Municipality were exposed to the following contingent liabilities at year end:		
<b>53.1</b>	<b>Matter against the Municipality by Jimmy Barnard</b>	50 000	50 000
	This matter has been finalised but legal costs still have to be taxed or agreed. The legal costs for which the Municipality may be liable are estimated at R50 000.		
<b>53.2</b>	<b>Matter against the Municipality by Mathilda Smith</b>	15 000	15 000
	This applicant is claiming for damages amounting to R15 000. Since 2010, the applicant's attorneys has not taken any action on this matter. However, in 2015 she instructed her attorneys to continued with the matter.		
<b>53.3</b>	<b>Matter against the Municipality by Siphokazi Sinxo (on behalf of her minor son, Lunje Sinxo)</b>	-	1 800 000
	The applicant claimed for damages amounting to R1 400 000 in total. These damages related to an injury her son obtained on the property of the Municipality when an entrance gate became dislodged and fell on her son. Legal costs were estimated at approximately R 400 000. The Municipality's insurers reached an settlement agreement amounting to R1 000 000 on 21 November 2019 of which the claim will directly be covered by the Municipality's insurer.		
<b>53.4</b>	<b>Matter against the Municipality by Elandsbaai Handelsmaatskappy</b>	752 000	1 052 000
	The applicant claims against infringement of property for the amount of R652 000. At that time the legal cost for which the Municipality may be liable were estimated at R400 000 giving rise to a contingent liability of R1 052 000. During the 2019/20 financial year, negotiations progressed up to a point whereby the Municipality offered to transfer a portion of an open space for the infringed property. Negotiations are still underway and the Municipality's estimated legal cost to conclude the matter is now estimated R100 000, which gives rise to a contingent liability of R752 000 (R652 000 + R100 000).		
<b>53.5</b>	<b>Matter against the Municipality by MJ Coetzee</b>	250 000	250 000
	This matter involves an application by the owners of Erf 234 Graafwater against the Municipality for declaratory relief, alternatively a review regarding the decision taken in respect of an application for consent use. The matter in ongoing , pleadings have closed and the Applicants have to set it down for hearing. The legal costs and disbursements that the Municipality may be liable for in the event that the application is successful, is estimated at R 250 000.		
<b>53.6</b>	<b>Total</b>	<b>1 067 000</b>	<b>3 167 000</b>
<b>54</b>	<b>RELATED PARTIES</b>		
	All rates, service charges and other charges in respect of related parties are in accordance with approved tariffs that were advertised to the public. No impairment charge have been recognised in respect of amounts owed by related parties.		
	Other related parties transactions relates to the acquisition of goods under terms and conditions applicable to open market trading on a willing buyer and seller principles. The payment terms are not favourable to other transactions (other related parties) and are not secured or encumbered. Settlement terms are in accordance with the general terms of trade with no guarantees received or given.		
<b>54.1</b>	<b>Related Party Loans</b>		
	There are no loans outstanding to any related party. Since 1 July 2004 loans to councillors and senior management employees are not permitted.		
<b>54.2</b>	<b>Compensation of management personnel</b>		
	Remuneration of management personnel are disclosed in notes 27 and 28.		

# CEDERBERG LOCAL MUNICIPALITY

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### 55 TRANSACTIONS IN TERMS OF SECTION 45 OF THE MUNICIPAL SUPPLY CHAIN REGULATIONS

Section 45 of the Municipal Supply Chain Management regulations requires the disclosure of particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months. The following transactions are disclosed in this regard:

Company Name	Relationship	Position of person in service of the state	Amount	Amount
P J Sobekwa	Brother of J Sobekwa	Foreman at Cederberg Municipality	6 300	92 600
HM Henderson	Sister of C Henderson	Senior clerk store at Cederberg Municipality	3 000	8 360
Nelodia Transport	Wife of WK Nel	Admin clerk at the SAPS	1 500	2 400
RJ Swartz	Son of R Swartz	Police officer at the SAPS	-	1 956
M Mercuur	Wife of N Mercuur	Strategic Services Manager at Cederberg Municipality	21 140	-
<b>Total</b>			<b>31 940</b>	<b>105 316</b>

### 56 IMPACT OF COVID-19 ON FINANCIAL SUSTAINABILITY

Cederberg Municipality is in no way immune to the harsh economic realities as a result of the COVID-19 pandemic. As far possible, the Municipality factored in the effect the lockdown levels had on its economic environment. At this stage, the uncertainty still remains as to how long the pandemic will remain and how long the economy will take to recover from the lockdowns levels.

The Municipality incurred costs amounting to R1 573 326 in the fight against the COVID-19 pandemic of which R732 469 was grant funded. The remaining expenditure was funded by the Municipality.

The Municipality assessed the impact of the COVID-19 pandemic by comparing the financial indicators of 2019/20 to 2018/19 as follow:

Cash available for working capital requirements (positive balance)	-	3 519 393
Current Ratio (norm - at least 2:1)	0.48 : 1	0.59 : 1
Cash coverage ratio (norm - 3 months or more)	0 months	0.24 months
Creditors days (norm - 30 days or less)	146 days	119 days
Debtors collection rate (95% or more)	83.86%	86.74%

When analysing the results of the ratio's it can be concluded that COVID-19 adversely affected the Municipality's already strained cash flow position. This is precipitated by lower revenue collection due the hard lockdown under level 5 and further financial burdens on normal households and the private sector. The impact of COVID-19 will have a long-term effect on the Municipality's financial situation. It is for this reasons that Council will approve a Financial and Revenue Improvement Plan to specific focus on the revenue collection and curbing expenditure. This may affect service delivery in the short term, but will be mitigated through these interventions.

Taking the above in mind the Municipality will therefore balance service delivery and operations based on revenue collections and ensure that grant funding is spent within the prescribed timeframes as agreed with National Treasury.

### 57 B-BBEE PERFORMANCE

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

# CEDERBERG LOCAL MUNICIPALITY

## APPENDIX A (UNAUDITED)

### SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDING 30 JUNE 2020

INSTITUTION	LOAN NUMBER	RATE	MATURITY DATE	OPENING BALANCE 1 JULY 2019	RECEIVED DURING YEAR	REDEEMED DURING YEAR	CLOSING BALANCE 30 JUNE 2020
<b><u>ANNUITY LOANS</u></b>							
ABSA	038-723-0992	9.84%	1 April 2025	2 133 680	-	(274 445)	1 859 235
ABSA	038-723-0993	10.43%	17 June 2025	3 592 717	-	(456 468)	3 136 249
ABSA	038-723-0994	10.45%	17 Nov 2025	1 533 902	-	(174 640)	1 359 262
ABSA	038-723-0995	10.45%	17 Aug 2028	1 618 118	-	(159 382)	1 458 736
Standard Bank	03-263-793-4	10.36%	31 Mar 2023	6 278 257	-	(1 339 204)	4 939 053
<b>Total Annuity Loans</b>				<b>15 156 674</b>	<b>-</b>	<b>(2 404 138)</b>	<b>12 752 536</b>
<b><u>FINANCE LEASE LIABILITIES - PRINTERS</u></b>							
Printers D3Q20B			31 Dec 2019	11 121	-	(11 121)	-
Printers MPC305SPF			31 Dec 2019	12 069	-	(12 069)	-
Printers MPC2004SP			30 Apr 2020	63 175	-	(63 175)	-
Printers MPC8003SP			30 Apr 2020	62 174	-	(62 174)	-
Xerox AltaLink C8055			28 Feb 2021	48 702	-	(27 663)	21 039
Xerox Versalink C7025			28 Feb 2021	361 085	-	(205 098)	155 987
Samsung 057400 Pabx System			31 May 2022	1 802 318	748 550	(481 299)	2 069 569
<b>Total Finance Lease Liabilities - Printers</b>				<b>2 360 644</b>	<b>748 550</b>	<b>(862 599)</b>	<b>2 246 595</b>
<b><u>FINANCE LEASE LIABILITIES - VEHICLES</u></b>							
Isuzu Kb 250C Fleetside Regular Cab	00089668811		1 Jul 2022	154 135	-	(44 486)	109 649
Isuzu Kb 250C Fleetside Regular Cab	00089668986		1 Jul 2022	154 135	-	(44 486)	109 649
Isuzu Kb 250C Fleetside Regular Cab	00089669184		1 Jul 2022	154 135	-	(44 486)	109 649
Chevrolet Utility 1.4 + A/C (M18)	00089669583		1 Jul 2022	115 372	-	(33 298)	82 074
Chevrolet Utility 1.4 + A/C (M18)	00089670107		1 Jul 2022	115 372	-	(33 298)	82 074
Isuzu Kb 250C Fleetside Regular Cab	00089670301		1 Jul 2022	156 150	-	(45 068)	111 083
Isuzu Kb 250C Fleetside Regular Cab	00089733109		1 Aug 2022	158 443	-	(44 315)	114 129
Isuzu Kb 250C Fleetside Regular Cab	00089733338		1 Aug 2022	279 616	-	(78 205)	201 411
Isuzu N Series NLR 150	00089733443		1 Aug 2022	302 442	-	(84 589)	217 853
Isuzu Kb 250C Fleetside Regular Cab	00089733478		1 Aug 2022	158 443	-	(44 315)	114 129
Isuzu N Series NLR 150	00089733656		1 Aug 2022	302 442	-	(84 589)	217 853
Isuzu N Series NLR 150	00089733664		1 Aug 2022	302 442	-	(84 589)	217 853
Isuzu N Series NLR 150	00089733915		1 Aug 2022	302 442	-	(84 589)	217 853
Isuzu Kb 250C Fleetside Regular Cab	00089734008		1 Aug 2022	158 443	-	(44 315)	114 129
Toyota Etios Sedan 1.5SD Sprint	00089760637		1 Aug 2022	124 974	-	(34 954)	90 021
Toyota Etios Sedan 1.5SD Sprint	00089760769		1 Aug 2022	124 974	-	(34 954)	90 021
<b>Total Finance Lease Liabilities - Vehicles</b>				<b>3 063 961</b>	<b>-</b>	<b>(864 537)</b>	<b>2 199 424</b>
<b>Total Long-Term Liabilities</b>				<b>20 581 279</b>	<b>748 550</b>	<b>(4 131 274)</b>	<b>17 198 555</b>



# CEDERBERG LOCAL MUNICIPALITY

## APPENDIX B (UNAUDITED)

### DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2020

	OPENING BALANCE R	GRANTS RECEIVED / (REPAID) R	TRANSFERRED TO REVENUE (OPERATING) R	TRANSFERRED TO REVENUE (CAPITAL) R	OTHER MOVEMENT R	CLOSING BALANCE R
<b>NATIONAL GOVERNMENT</b>						
Equitable Share	-	49 200 761	(49 200 761)	-	-	-
Municipal Infrastructure Grant (MIG)	-	15 667 000	(2 688 593)	(13 929 311)	950 904	-
Financial Management Grant (FMG)	-	2 085 000	(2 085 000)	-	-	-
Integrated National Electrification Programme (INEP)	-	9 642 000	(1 257 519)	(8 383 462)	-	1 019
Expanded Public Works Program (EPWP)	-	1 954 000	(1 954 000)	-	-	-
Water Service Infrastructure Grant (WSIG)	1 254 762	28 745 238	(526 004)	(3 532 320)	-	25 941 676
Municipal Disaster Relief Grant (Drought Relief)	-	-	-	-	-	-
Municipal Disaster Relief Grant (COVID-19)	-	209 000	(132 469)	-	-	76 531
<b>Total</b>	<b>1 254 762</b>	<b>107 502 999</b>	<b>(57 844 346)</b>	<b>(25 845 093)</b>	<b>950 904</b>	<b>26 019 226</b>
<b>PROVINCIAL GOVERNMENT</b>						
Human Settlement Development Grant	-	-	-	-	-	-
Library Services MRF	-	4 599 000	(4 594 432)	-	-	4 568
CDW Support	8 889	325 111	(328 824)	-	-	5 176
Housing Consumer Education	-	-	-	-	-	-
Municipal Drought Support Grant	268 788	3 500 000	(424 045)	(3 239 257)	-	105 486
Local Government Graduate Internship Grant	92 888	80 000	(16 029)	-	-	156 859
Financial Management Support Grant	44 584	580 000	(499 611)	-	-	124 973
Municipal Capacity Building Grant	267 836	644 500	(34 055)	-	-	878 281
Acceleration of Housing Delivery	698 058	-	(91 051)	(607 007)	-	-
Thusong Service Centre Grant	8 898	200 000	(29 355)	-	-	179 543
Municipal Disaster Grant (Drought Relief)	47 577	(47 577)	-	-	-	-
Road Maintenance (Proclaimed)	-	-	-	-	-	-
Local Government Support Grants (COVID-19)	-	550 000	(550 000)	-	-	-
<b>Total</b>	<b>1 437 518</b>	<b>10 431 034</b>	<b>(6 567 401)</b>	<b>(3 846 263)</b>	<b>-</b>	<b>1 454 886</b>
<b>OTHER GRANT PROVIDERS</b>						
West Coast District Municipality - COVID 19	-	50 000	(50 000)	-	-	-
<b>Total</b>	<b>-</b>	<b>50 000</b>	<b>(50 000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>ALL SPHERES OF GOVERNMENT</b>	<b>2 692 280</b>	<b>117 984 033</b>	<b>(64 461 748)</b>	<b>(29 691 356)</b>	<b>950 904</b>	<b>27 474 112</b>

# CEDERBERG LOCAL MUNICIPALITY

## APPENDIX C (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	ORIGINAL BUDGET 2020 R	BUDGET ADJUSTMENTS 2020 R	FINAL BUDGET 2020 R	ACTUAL OUTCOME 2020 R	BUDGET VARIANCE 2020 R	RESTATED OUTCOME 2019 R
<b>FINANCIAL PERFORMANCE</b>						
Property rates	46 908 626	(889 547)	46 019 079	45 526 373	(492 706)	42 146 144
Service charges	154 476 840	(8 489 179)	145 987 661	144 762 931	(1 224 730)	128 887 500
Investment revenue	2 012 516	(1 724 609)	287 907	505 556	217 649	892 942
Transfers and subsidies - operational	84 703 391	8 164 524	92 867 915	64 461 748	(28 406 167)	62 084 857
Other own revenue	41 741 579	(190 720)	41 550 859	31 690 856	(9 860 003)	42 314 112
<b>Total Operating Revenue (excluding capital transfers)</b>	<b>329 842 952</b>	<b>(3 129 531)</b>	<b>326 713 421</b>	<b>286 947 464</b>	<b>(39 765 957)</b>	<b>276 325 555</b>
Employee costs	119 499 420	(2 620 888)	116 878 532	115 364 247	(1 514 285)	104 281 701
Remuneration of councillors	5 493 000	83 205	5 576 205	5 569 861	(6 344)	5 392 291
Debt impairment	35 531 750	9 393 250	44 925 000	45 905 361	980 361	38 387 315
Depreciation and asset impairment	23 355 000	(3 222 530)	20 132 470	18 882 270	(1 250 200)	16 635 139
Finance charges	8 449 015	231 493	8 680 508	9 786 135	1 105 627	8 455 545
Bulk purchases	82 383 212	3 915 773	86 298 985	84 184 752	(2 114 233)	71 810 102
Other Materials	9 327 530	(845 562)	8 481 968	-	(8 481 968)	-
Contracted Services	35 860 759	6 858 528	42 719 287	18 205 886	(24 513 401)	16 696 031
Transfers and grants	4 120 525	524 367	4 644 892	1 144 278	(3 500 614)	1 066 144
Other expenditure	20 061 309	60 146	20 121 455	24 163 445	4 041 990	27 653 950
Loss on disposal of PPE	-	-	-	141 216	141 216	467 952
<b>Total Expenditure</b>	<b>344 081 520</b>	<b>14 377 782</b>	<b>358 459 302</b>	<b>323 347 451</b>	<b>(35 111 851)</b>	<b>290 846 170</b>
<b>Surplus/(Deficit)</b>	<b>(14 238 568)</b>	<b>(17 507 313)</b>	<b>(31 745 881)</b>	<b>(36 399 988)</b>	<b>(4 654 107)</b>	<b>(14 520 615)</b>
Transfers and subsidies - capital (monetary)	47 433 609	4 559 745	51 993 354	29 691 356	(22 301 998)	83 598 795
Transfers and subsidies - capital (in-kind)	-	-	-	-	-	11 476 772
<b>Surplus/(Deficit) for the year</b>	<b>33 195 041</b>	<b>(12 947 568)</b>	<b>20 247 473</b>	<b>(6 708 631)</b>	<b>(26 956 104)</b>	<b>80 554 952</b>
<b>CAPITAL EXPENDITURE &amp; FUNDS SOURCES</b>						
<b>Capital expenditure</b>	<b>60 698 593</b>	<b>(4 092 927)</b>	<b>56 605 666</b>	<b>34 583 834</b>	<b>(22 021 832)</b>	<b>104 874 098</b>
Transfers recognised - capital	47 433 607	4 559 745	51 993 352	29 691 356	(22 301 996)	83 742 707
Public Contributions and Donations	-	-	-	-	-	11 476 772
Borrowing	3 000 000	(3 000 000)	-	-	-	-
Internally generated funds	10 264 986	(5 652 672)	4 612 314	4 892 478	280 164	9 654 619
<b>Total sources of capital funds</b>	<b>60 698 593</b>	<b>(4 092 927)</b>	<b>56 605 666</b>	<b>34 583 834</b>	<b>(22 021 832)</b>	<b>104 874 098</b>
<b>CASH FLOWS</b>						
Net cash from (used) operating	65 473 240	(11 536 207)	53 937 033	47 344 297	(6 592 736)	83 043 968
Net cash from (used) investing	(60 698 593)	4 092 927	(56 605 666)	(33 768 545)	22 837 121	(90 859 963)
Net cash from (used) financing	(275 082)	(3 694 941)	(3 970 023)	(4 078 260)	(108 237)	(3 528 673)
Net Cash Movement for the year	4 499 565	(11 138 221)	(6 638 656)	9 497 493	16 136 148	(11 344 668)
Cash/cash equivalents at beginning of year	505 325	6 682 072	7 187 397	7 187 397	-	18 532 065
<b>Cash/cash equivalents at the year end</b>	<b>5 004 891</b>	<b>(4 456 149)</b>	<b>548 741</b>	<b>16 684 890</b>	<b>16 136 148</b>	<b>7 187 397</b>

# CEDERBERG LOCAL MUNICIPALITY

## APPENDIX C (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	ORIGINAL BUDGET 2020 R	BUDGET ADJUSTMENTS 2020 R	FINAL BUDGET 2020 R	ACTUAL OUTCOME 2020 R	BUDGET VARIANCE 2020 R	RESTATED OUTCOME 2019 R
<b>REVENUE (STANDARD CLASSIFICATION)</b>						
<b>Governance and administration</b>						
Executive and council	43 112 203	1 037 296	44 149 499	43 111 964	(1 037 535)	40 041 682
Finance and administration	63 678 044	(1 505 177)	62 172 867	62 753 189	580 322	59 529 265
Internal audit	-	-	-	-	-	-
<b>Community and public safety</b>						
Community and social services	5 262 590	488 226	5 750 816	5 474 330	(276 486)	5 395 041
Sport and recreation	4 210 850	(1 784 434)	2 426 416	2 413 474	(12 942)	2 846 579
Public safety	20 893 000	3 525 280	24 418 280	12 735 201	(11 683 080)	-
Housing	17 860 000	5 925 217	23 785 217	-	(23 785 217)	45 401 956
<b>Economic and environmental services</b>						
Planning and development	18 152 054	(6 370 381)	11 781 673	13 121 084	1 339 411	22 881 677
Road transport	3 385 549	301 140	3 686 689	2 735 961	(950 728)	24 122 432
<b>Trading services</b>						
Energy sources	111 631 645	(2 752 231)	108 879 414	109 470 763	591 349	92 890 437
Water management	61 864 884	(7 513 790)	54 351 094	36 587 864	(17 763 231)	44 312 177
Waste water management	12 889 494	14 370 150	27 259 644	13 956 929	(13 302 715)	13 271 403
Waste management	14 336 248	(4 291 082)	10 045 166	14 278 062	4 232 896	20 708 473
<b>Total Revenue - Standard</b>	<b>377 276 561</b>	<b>1 430 214</b>	<b>378 706 775</b>	<b>316 638 820</b>	<b>(62 067 955)</b>	<b>371 401 122</b>
<b>EXPENDITURE (STANDARD CLASSIFICATION)</b>						
<b>Governance and administration</b>						
Executive and council	13 305 410	(914 877)	12 390 533	11 757 113	(633 420)	11 062 951
Finance and administration	76 141 995	8 935 087	85 077 082	86 842 008	1 764 926	75 853 471
Internal audit	1 060 500	9 553	1 070 053	1 020 634	(49 419)	842 310
<b>Community and public safety</b>						
Community and social services	9 421 657	279 909	9 701 566	9 366 347	(335 219)	6 053 043
Sport and recreation	13 230 371	(759 709)	12 470 662	12 030 420	(440 242)	10 941 106
Public safety	25 507 010	2 850 438	28 357 448	19 829 655	(8 527 793)	-
Housing	21 279 500	4 018 842	25 298 342	2 061 522	(23 236 820)	1 969 660
<b>Economic and environmental services</b>						
Planning and development	8 442 941	(1 124 744)	7 318 197	6 832 276	(485 921)	5 289 689
Road transport	14 915 868	(1 834 517)	13 081 351	12 454 681	(626 670)	37 596 564
<b>Trading services</b>						
Energy sources	94 308 227	5 683 402	99 991 629	99 149 390	(842 239)	82 097 594
Water management	30 221 321	2 694 398	32 915 719	30 070 969	(2 844 750)	28 437 329
Waste water management	16 629 452	(2 911 938)	13 717 514	15 045 852	1 328 338	15 413 612
Waste management	19 617 268	(2 548 062)	17 069 206	16 886 586	(182 621)	15 288 842
<b>Total Expenditure - Standard</b>	<b>344 081 520</b>	<b>14 377 782</b>	<b>358 459 302</b>	<b>323 347 452</b>	<b>(35 111 850)</b>	<b>290 846 172</b>
<b>Surplus/(Deficit) for the year</b>	<b>33 195 041</b>	<b>(12 947 568)</b>	<b>20 247 473</b>	<b>(6 708 632)</b>	<b>(26 956 105)</b>	<b>80 554 950</b>

# CEDERBERG LOCAL MUNICIPALITY

## APPENDIX C (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	ORIGINAL BUDGET 2020 R	BUDGET ADJUSTMENTS 2020 R	FINAL BUDGET 2020 R	ACTUAL OUTCOME 2020 R	BUDGET VARIANCE 2020 R	RESTATEd OUTCOME 2019 R
<b>REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)</b>						
<b>REVENUE</b>						
Vote 1 - Executive and Council	43 112 203	1 037 296	44 149 499	43 111 964	(1 037 535)	40 041 682
Vote 2 - Office of Municipal Manager	150 000	147 472	297 472	16 029	(281 443)	39 513
Vote 3 - Financial Administrative Services	55 232 264	(1 240 135)	53 992 129	59 745 043	5 752 914	56 980 849
Vote 4 - Community Development Services	7 333 880	181 356	7 515 236	7 074 552	(440 684)	34 500 593
Vote 5 - Corporate and Strategic Services	5 968 872	(671 896)	5 296 976	651 943	(4 645 033)	411 875
Vote 6 - Planning and Development Services	18 157 672	(6 375 999)	11 781 673	13 121 084	1 339 411	239 426 610
Vote 7 - Risk Management and Legal Services	-	-	-	-	-	-
Vote 7 - Public Safety	24 528 549	4 398 290	28 926 839	16 211 113	(12 715 726)	-
Vote 8 - Electricity	111 631 645	(2 752 231)	108 879 414	109 470 763	591 349	-
Vote 9 - Waste Management	14 336 248	(4 291 082)	10 045 166	14 278 062	4 232 896	-
Vote 10 - Waste Water Management	12 889 494	14 370 150	27 259 644	13 956 929	(13 302 715)	-
Vote 11 - Water	61 864 884	(7 513 790)	54 351 094	36 587 864	(17 763 231)	-
Vote 12 - Housing	17 860 000	5 925 217	23 785 217	-	(23 785 217)	-
Vote 13 - Road Transport	-	-	-	-	-	-
Vote 14 - Sports and Recreation	4 210 850	(1 784 434)	2 426 416	2 413 474	(12 942)	-
<b>Total Revenue by Vote</b>	<b>377 276 561</b>	<b>1 430 214</b>	<b>378 706 775</b>	<b>316 638 820</b>	<b>(62 067 955)</b>	<b>371 401 122</b>
<b>EXPENDITURE</b>						
Vote 1 - Executive and Council	10 889 910	(2 029 114)	8 860 796	8 612 247	(248 550)	8 460 203
Vote 2 - Office of Municipal Manager	8 591 461	1 210 640	9 802 101	8 788 446	(1 013 655)	3 790 877
Vote 3 - Financial Administrative Services	43 997 530	8 043 586	52 041 116	55 400 675	3 359 559	45 486 302
Vote 4 - Community Development Services	15 170 908	(713 081)	14 457 827	14 268 512	(189 315)	50 664 908
Vote 5 - Corporate and Strategic Services	18 641 390	1 254 348	19 895 738	18 512 460	(1 383 278)	16 426 934
Vote 6 - Planning and Development Services	7 755 272	(1 203 776)	6 551 496	6 402 156	(149 340)	164 437 346
Vote 7 - Risk Management and Legal Services	-	-	-	-	-	1 579 601
Vote 7 - Public Safety	30 293 122	3 481 809	33 774 931	25 114 393	(8 660 538)	-
Vote 8 - Electricity	94 308 227	5 683 402	99 991 629	99 149 390	(842 239)	-
Vote 9 - Waste Management	19 617 268	(2 548 062)	17 069 206	16 886 586	(182 621)	-
Vote 10 - Waste Water Management	15 045 452	(2 708 890)	12 336 562	13 726 113	1 389 551	-
Vote 11 - Water	30 221 321	2 694 398	32 915 719	30 070 969	(2 844 750)	-
Vote 12 - Housing	21 279 500	4 018 842	25 298 342	2 061 522	(23 236 820)	-
Vote 13 - Road Transport	15 039 788	(2 046 611)	12 993 177	12 323 565	(669 612)	-
Vote 14 - Sports and Recreation	13 230 371	(759 709)	12 470 662	12 030 420	(440 242)	-
<b>Total Expenditure by Vote</b>	<b>344 081 520</b>	<b>14 377 782</b>	<b>358 459 302</b>	<b>323 347 452</b>	<b>(35 111 850)</b>	<b>290 846 172</b>
<b>Surplus/(Deficit) for the year</b>	<b>33 195 041</b>	<b>(12 947 568)</b>	<b>20 247 473</b>	<b>(6 708 632)</b>	<b>(26 956 105)</b>	<b>80 554 950</b>

# CEDERBERG LOCAL MUNICIPALITY

## APPENDIX C (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	ORIGINAL BUDGET 2020 R	BUDGET ADJUSTMENTS 2020 R	FINAL BUDGET 2020 R	ACTUAL OUTCOME 2020 R	BUDGET VARIANCE 2020 R	RESTATED OUTCOME 2019 R
<b>REVENUE AND EXPENDITURE</b>						
<b>REVENUE BY SOURCE</b>						
Property rates	46 908 626	(889 547)	46 019 079	45 526 373	(492 706)	42 146 144
Service charges - electricity revenue	101 751 235	(4 598 479)	97 152 756	97 603 904	451 148	84 699 555
Service charges - water revenue	31 523 071	(2 405 912)	29 117 159	28 020 766	(1 096 393)	25 746 763
Service charges - sanitation revenue	11 110 225	(984 788)	10 125 437	9 105 511	(1 019 926)	9 648 703
Service charges - refuse revenue	10 092 309	(500 000)	9 592 309	10 032 749	440 440	8 792 479
Rental of facilities and equipment	529 046	(88 038)	441 008	2 871 161	2 430 153	3 274 156
Interest earned - external investments	2 012 516	(1 724 609)	287 907	505 556	217 649	892 942
Interest earned - outstanding debtors	3 745 255	1 250 768	4 996 023	4 983 566	(12 457)	3 996 023
Fines, penalties and forfeits	20 928 728	3 531 829	24 460 557	13 205 468	(11 255 089)	22 245 450
Licences and permits	-	-	-	-	-	-
Agency services	3 382 581	304 108	3 686 689	2 735 961	(950 728)	3 332 665
Transfers and subsidies - Operating	84 703 391	8 164 524	92 867 915	64 461 748	(28 406 167)	62 084 857
Other revenue	13 155 969	(5 189 387)	7 966 582	7 894 700	(71 882)	9 465 818
Gain on disposal of PPE	-	-	-	-	-	-
<b>Total Revenue (excl capital transfers)</b>	<b>329 842 952</b>	<b>(3 129 531)</b>	<b>326 713 421</b>	<b>286 947 464</b>	<b>(39 765 957)</b>	<b>276 325 555</b>
<b>EXPENDITURE BY TYPE</b>						
Employee related costs	119 499 420	(2 620 888)	116 878 532	115 364 247	(1 514 285)	104 281 701
Remuneration of councillors	5 493 000	83 205	5 576 205	5 569 861	(6 344)	5 392 291
Debt impairment	35 531 750	9 393 250	44 925 000	45 905 361	980 361	38 387 315
Depreciation and asset impairment	23 355 000	(3 222 530)	20 132 470	18 882 270	(1 250 200)	16 635 139
Finance charges	8 449 015	231 493	8 680 508	9 786 135	1 105 627	8 455 545
Bulk purchases	82 383 212	3 915 773	86 298 985	84 184 752	(2 114 233)	71 810 102
Other Materials	9 327 530	(845 562)	8 481 968	-	(8 481 968)	-
Contracted Services	35 860 759	6 858 528	42 719 287	18 205 886	(24 513 401)	16 696 031
Transfers and grants	4 120 525	524 367	4 644 892	1 144 278	(3 500 614)	1 066 144
Other expenditure	20 061 309	60 146	20 121 455	24 163 445	4 041 990	27 653 950
Loss on disposal of PPE	-	-	-	141 216	141 216	467 952
<b>Total Expenditure</b>	<b>344 081 520</b>	<b>14 377 782</b>	<b>358 459 302</b>	<b>323 347 451</b>	<b>(35 111 851)</b>	<b>290 846 170</b>
<b>Surplus/(Deficit)</b>	<b>(14 238 568)</b>	<b>(17 507 313)</b>	<b>(31 745 881)</b>	<b>(36 399 988)</b>	<b>(4 654 107)</b>	<b>(14 520 615)</b>
Transfers and subsidies - Capital (monetary)	47 433 609	4 559 745	51 993 354	29 691 356	(22 301 998)	83 598 795
Transfers and subsidies - Capital (in-kind)	-	-	-	-	-	11 476 772
<b>Surplus/(Deficit) for the year</b>	<b>33 195 041</b>	<b>(12 947 568)</b>	<b>20 247 473</b>	<b>(6 708 631)</b>	<b>(26 956 104)</b>	<b>80 554 952</b>

# CEDERBERG LOCAL MUNICIPALITY

## APPENDIX C (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	ORIGINAL BUDGET 2020 R	BUDGET ADJUSTMENTS 2020 R	FINAL BUDGET 2020 R	ACTUAL OUTCOME 2020 R	BUDGET VARIANCE 2020 R	RESTATED OUTCOME 2019 R
<b>CAPITAL EXPENDITURE</b>						
<b>CAPITAL EXPENDITURE (MUNICIPAL VOTE)</b>						
<b>Multi-year expenditure</b>						
Vote 6 - Planning and Development Services	13 059 304	(4 826 943)	8 232 361	8 917 643	685 282	49 177 733
Vote 8 - Electricity	4 447 130	191 596	4 638 726	4 553 530	(85 196)	-
Vote 10 - Waste Water Management	-	3 106 217	3 106 217	3 363 278	257 061	-
<b>Total Multi-year expenditure</b>	<b>17 506 434</b>	<b>(1 529 130)</b>	<b>15 977 304</b>	<b>16 834 451</b>	<b>857 147</b>	<b>49 177 733</b>
<b>Single-year expenditure</b>						
Vote 1 - Executive and Council	-	650	650	-	(650)	2 290
Vote 2 - Office of Municipal Manager	25 000	(25 000)	-	-	-	-
Vote 3 - Financial Administrative Services	3 110 000	(3 040 515)	69 485	52 421	(17 064)	559 783
Vote 4 - Community Development Services	102 500	(42 630)	59 870	59 869	(1)	4 064 349
Vote 5 - Corporate and Strategic Services	350 000	(238 412)	111 588	829 287	717 699	2 571 506
Vote 6 - Planning and Development Services	80 000	549 616	629 616	621 646	(7 970)	48 485 117
Vote 7 - Public Safety	1 440 736	(295 571)	1 145 165	989 315	(155 850)	13 320
Vote 8 - Electricity	5 249 717	1 667 810	6 917 527	6 807 642	(109 885)	-
Vote 9 - Waste Management	344 500	(285 802)	58 698	58 146	(552)	-
Vote 10 - Waste Water Management	9 670 652	(572 200)	9 098 452	1 933 488	(7 164 964)	-
Vote 11 - Water	18 170 054	3 253 811	21 423 865	5 974 199	(15 449 666)	-
Vote 12 - Housing	25 000	647 922	672 922	0	(672 922)	-
Vote 13 - Road Transport	672 500	(546 688)	125 812	107 839	(17 973)	-
Vote 14 - Sports and Recreation	3 951 500	(3 636 788)	314 712	315 531	819	-
<b>Total Single-year expenditure</b>	<b>43 192 159</b>	<b>(2 563 797)</b>	<b>40 628 362</b>	<b>17 749 383</b>	<b>(22 878 979)</b>	<b>55 696 366</b>
<b>Total Capital Expenditure by Vote</b>	<b>60 698 593</b>	<b>(4 092 927)</b>	<b>56 605 666</b>	<b>34 583 834</b>	<b>(22 021 832)</b>	<b>104 874 098</b>
<b>CAPITAL EXPENDITURE (STANDARD CLASSIFICATION)</b>						
<b>Governance and administration</b>						
Executive and council	-	650	650	-	(650)	2 290
Finance and administration	3 507 500	(3 323 823)	183 677	884 312	700 635	3 178 091
Internal audit	-	-	-	-	-	-
<b>Community and public safety</b>						
Community and social services	70 000	(12 734)	57 266	57 266	(0)	110 605
Sport and recreation	3 951 500	(3 636 788)	314 712	315 531	819	4 164 353
Public safety	-	1 145 165	1 145 165	989 315	(155 850)	-
Housing	25 000	647 922	672 922	0	(672 922)	44 251 268
<b>Economic and environmental services</b>						
Planning and development	13 149 304	(4 287 327)	8 861 977	9 539 289	677 312	18 435 157
Road transport	2 035 736	(1 916 861)	118 875	101 438	(17 437)	7 169 905
<b>Trading services</b>						
Energy sources	9 696 847	1 859 406	11 556 253	11 361 172	(195 081)	7 939 661
Water management	18 170 054	3 253 811	21 423 865	5 974 199	(15 449 666)	16 710 966
Waste water management	9 748 152	2 463 454	12 211 606	5 303 168	(6 908 438)	2 858 914
Waste management	344 500	(285 802)	58 698	58 146	(552)	52 889
<b>Total Capital Expenditure - Standard</b>	<b>60 698 593</b>	<b>(4 092 927)</b>	<b>56 605 666</b>	<b>34 583 834</b>	<b>(22 021 832)</b>	<b>104 874 098</b>

# CEDERBERG LOCAL MUNICIPALITY

## APPENDIX C (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	ORIGINAL BUDGET 2020 R	BUDGET ADJUSTMENTS 2020 R	FINAL BUDGET 2020 R	ACTUAL OUTCOME 2020 R	BUDGET VARIANCE 2020 R	RESTATED OUTCOME 2019 R
<b>CAPITAL EXPENDITURE (CONTINUED)</b>						
<b>FUNDING SOURCES</b>						
National Government	47 433 607	2 609	47 436 216	25 845 093	(21 591 123)	25 184 614
Provincial Government	-	4 557 136	4 557 136	3 846 263	(710 873)	58 558 093
District Municipality	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	47 433 607	4 559 745	51 993 352	29 691 356	(22 301 996)	83 742 707
Public contributions & donations	-	-	-	-	-	11 476 772
Borrowing	3 000 000	(3 000 000)	-	-	-	-
Internally generated funds	10 264 986	(5 652 672)	4 612 314	4 892 478	280 164	9 654 619
<b>Total Capital Funding</b>	<b>60 698 593</b>	<b>(4 092 927)</b>	<b>56 605 666</b>	<b>34 583 834</b>	<b>(22 021 832)</b>	<b>104 874 098</b>

# CEDERBERG LOCAL MUNICIPALITY

## APPENDIX C (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2020

	ORIGINAL BUDGET 2020 R	BUDGET ADJUSTMENTS 2020 R	FINAL BUDGET 2020 R	ACTUAL OUTCOME 2020 R	BUDGET VARIANCE 2020 R	RESTATED OUTCOME 2019 R
<b>CASH FLOWS</b>						
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
<b>Receipts</b>						
Property rates, penalties & collection charges	45 499 882	(5 308 370)	40 191 512	40 582 028	390 516	38 334 319
Service charges	136 828 646	(12 630 753)	124 197 893	123 172 181	(1 025 712)	113 481 344
Other revenue	22 326 574	(2 965 738)	19 360 836	12 106 897	(7 253 939)	14 993 666
Government - operating	84 703 391	5 921 705	90 625 096	88 292 677	(2 332 419)	31 312 055
Government - capital	47 433 609	2 461 638	49 895 247	29 691 356	(20 203 891)	83 598 795
Interest	5 570 508	(2 296 332)	3 274 176	505 556	(2 768 620)	892 942
<b>Payments</b>						
Suppliers and employees	(270 838 830)	4 364 384	(266 474 446)	(242 081 028)	24 393 418	(196 142 595)
Finance charges	(1 930 015)	(541 694)	(2 471 709)	(3 781 092)	(1 309 383)	(2 360 413)
Transfers and grants	(4 120 525)	(541 047)	(4 661 572)	(1 144 278)	3 517 294	(1 066 144)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>65 473 240</b>	<b>(11 536 207)</b>	<b>53 937 033</b>	<b>47 344 297</b>	<b>(6 592 736)</b>	<b>83 043 968</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<b>Receipts</b>						
Proceeds on disposal of PPE	-	-	-	66 739	66 739	702 082
<b>Payments</b>						
Capital assets	(60 698 593)	4 092 927	(56 605 666)	(33 835 284)	22 770 382	(91 562 045)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(60 698 593)</b>	<b>4 092 927</b>	<b>(56 605 666)</b>	<b>(33 768 545)</b>	<b>22 837 121</b>	<b>(90 859 963)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
<b>Receipts</b>						
Borrowing long term/refinancing	3 000 000	(3 000 000)	-	-	-	-
Increase (decrease) in consumer deposits	141 548	-	141 548	53 014	(88 534)	100 851
<b>Payments</b>						
Repayment of borrowing	(3 416 630)	(694 941)	(4 111 571)	(4 131 274)	(19 703)	(3 629 524)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>(275 082)</b>	<b>(3 694 941)</b>	<b>(3 970 023)</b>	<b>(4 078 260)</b>	<b>(108 237)</b>	<b>(3 528 673)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>4 499 565</b>	<b>(11 138 221)</b>	<b>(6 638 656)</b>	<b>9 497 493</b>	<b>16 136 148</b>	<b>(11 344 668)</b>
Cash/cash equivalents at the year begin:	505 325	6 682 072	7 187 397	7 187 397	-	18 532 065
Cash/cash equivalents at the year end:	5 004 891	(4 456 149)	548 741	16 684 890	16 136 149	7 187 397